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NATIONAL AFFAIRS, POLICY

Dealing With Inflation Caused by Commercialization of Housing

40060106 Beijing JINGJIXUE DONGTAI
[ECONOMICS DYNAMICS] in Chinese
No 10, 5 Oct 87 pp 22-24

[Article by Wang Yukun [3769 5148 3824] and Chang Qing [1603 3237]: "Inflation Arising From the Commercialization of Housing and Measures to Deal With It"]

[Text] I. Rent and Wage Increases May Cause Inflation

Whether commercialization of housing will lead to inflation is a debatable question. We think that to find the correct answer, a distinction should be made between the result of the housing commercialization process and the process itself.

The present housing allotment system can cause inflation for two reasons. First, because there is no attractive housing market, funds which should be invested in housing are drawn to the consumer goods market, leading to price rises. Second, because people's housing demands are not limited by their ability to pay, their demands swell, and the scale of housing construction gets out of hand at soaring cost to the state, resulting in cost-fueled inflation. The commercialization of housing is aimed at creating a sizable housing market to absorb part of the money now flooding the consumer goods market and curb the inflation pushed up by demand. At the same time, the commercialization of housing will also set in place a self-restraining mechanism to contain people's housing demands, thus bringing housing cost under control and slowing down cost-fueled inflation. These, of course, are results which can only come after housing has become completely commercialized. During the commercialization process, there is also danger of runaway inflation, if precautions are not taken.

Housing commercialization is actually a change of funding channels, that is, money for housing development will come from consumption funds, instead of from accumulation funds. In theory, this change of funding channels should cause no additional burden to the state. In reality, it is a different story. In the past few years, 60 percent of the funds invested in housing projects were raised by the enterprises concerned themselves. The money came from many sources including their depreciation funds, major overhaul funds, collective welfare funds, production and development funds, reserve funds, circulating funds, and even taxes and profits which should be turned over to the state. These channels are not shown in the enterprises' cost accounting. If the funding channels for housing development are to be straightened out, it means cutting off the improper channels and unplugging the proper ones. When this happens, the large sums of money from improper and

even illegal channels will stop coming. To fill up this gap and maintain the current housing standard, additional funds will have to come from the state.

If the state can recover the additional outlays from house rents and payments, it will not cause any inflation. However, there are several loopholes, through which funds can be lost at the expense of the state.

First, losses can be caused by differences in the quality of dwellings. China's public housing varies greatly in quality. There are one-story houses which have been shared by several families since the early days of the People's Republic; Quonsets which were converted from nonresidential buildings or dormitories; and single-family units with rooms, bath, kitchen, gas, heating, etc., built in the 1980's. The proportions of the various kinds of housing differs greatly between new and old cities. The new single-family units account for 41 percent of all floor space in Changzhou City, but only 29 percent in Chongqing, a difference of 20 percentage points [as published]. According to a nationwide urban housing survey, single-family units (including rooms, bathrooms, and kitchens) makeup 24 percent of all urban floorspace. Owing to many factors, emphasis in future housing development will be on single-family units in multistoried structures. Thus, the single-family units have become the standard on which rents and wage increases are based. While wages are increased on the basis of the higher cost and higher rent of the single-family units, most families are living in low-cost, low-rent, one-story old houses and Quonset homes, and some of the money used to pay the wage increases will not be recovered. According to Chongqing City's estimate, about 23 percent of the funds cannot be recovered due to differences in the quality of homes. The national figure is not known. Some estimates have it at about 20 percent.

Second, funds are lost to those who own their homes. If rents are determined on the basis of a standard floorspace and wages are increased accordingly, the extra wages paid to workers living in public housing can be recovered by the state by raising the rents. But the additional wages paid to those who own their homes will not be recovered. Housing has been an integral part of distribution according to work. In the 30-odd years since the founding of the People's Republic, this part of distribution has been completely deducted from the wages of those who own their homes. Now that welfare payment in kind is to be abolished in favor of increased wages in cash, the interests of the homeowners should not be ignored any longer. Otherwise, the contradiction will certainly become more acute, and it will discourage prospective home buyers and hinder the progress of housing reform. On the other hand, if the workers who own their homes are given an appropriate wage increase in cash, it will be obviously inflationary. It is estimated that privately owned homes are attributable for at least 20 percent of funds that are not recovered from urban housing.

Third, losses can be caused by selfish departmentalism of enterprises and governments at various levels. The reform of the housing system involves readjustment of the interests of the central government, local government, enterprises, and workers and staff members. Under the present system, the enterprise and its workers and staff members are basically one common-interest group, and the enterprise's economic conduct is guided by its goal to maximize the income and distribution to its workers and staff members (including cash wages and various welfare payments in kind). As to the local governments, the lower their level is, the closer their interests coincide with the enterprises. In the reform of the housing system, local governments and enterprises are apt to scheme together against the financial authorities, particularly at the central level. An obvious example: All local governments and enterprises strive to upgrade the standard of floorspace used in the local housing reform program in order to narrow down the range of houses which would otherwise be considered above standard. Some enterprises even go further by lying about workers and staff members occupying above-standard houses. All this contributes to increasing the amount of unrecoverable funds.

From the previous analysis, it seems that in the process of changing the funding channels, funds are twice as likely to get lost—from both the old channels (mainly the improper old channels) and the new channels. Under such inflationary pressure, the reform is faced with a dilemma. Actually, there is a time lapse between the old and new channels. If properly handled, this time gap can offer the opportunity to break the dilemma. The crucial issue here is the circulation of the newly increased wages, also known as the new housing subsidies. The right form of circulation can help curb inflation and reduce the risks of housing commercialization.

II. Circulation of the New Housing Subsidies

There are two forms in which the new housing subsidies can be put in circulation, namely, as cash or as credit. The latter is further divided into the forms of housing certificates and forced savings.

1. The New Housing Subsidies Should Not Be Circulated in the Form of Cash, but in the Form of Credit

Some argue that the additional money issued to pay for the rent and wage increases is just an acknowledgement of the value of housing which was not considered before, and that it involves no risk because it is backed by real property (houses) and may also directly help readjust the consumption pattern. This is a rather oversimplified view.

First, owing to the disappearance of funds in the process of housing commercialization, a considerable part of the increased money supply will not be recovered. The unrecovered money will directly hit the market and lead to inflation.

Second, the value of houses cannot be realized in isolation. Houses waiting to have their value restored are different from newly discovered gold or newly produced commodities. The latter's value can be matched by issuing a specific amount of new money. The former, while also requiring some increased money supply, is essentially a readjustment of the interest structure among industries. The value of the houses was already passed through the middle link of low wages into the circulations of funds of other trades. By realizing the value of the houses, we mean compensation for the socially necessary labor time spent on them. Socially necessary labor time can exist only in the mutual relationship between industries. Therefore, the realization of the value of houses cannot be separated from the readjustment of the interest structure among industries. To understand the problem of housing commercialization from the aspect of interest structure readjustment, it is necessary to give full consideration to the question of how much interest other industries are willing to give up and where additional real-property-backed funds can be found.

To prevent the new housing subsidies from flooding the market with cash, it is better to use the credit form of circulation.

2. The Choice Between Housing Certificates and Forced Savings

Housing certificates and forced savings are the two forms of credit applicable to the new housing subsidies. In forced saving, the wage increases will be directly deposited in banks and, after deducting rents, the remaining portions will become interest-bearing savings accounts. These savings deposits can only be used to buy, rent, build, and repair houses. The housing certificates are issued to workers and staff members as pay raises, and can only be used to buy, rent, build, and repair houses.

Both the housing certificates and forced savings can effectively prevent the new housing subsidies from assaulting the consumer goods market. The difference is, as a kind of negotiable securities, the housing certificates can be traded in the "black market," while forced savings are more rigid and, in effect, away of freezing for a limited period of time and with interest the newly increased part of the wages of workers and staff members who own their homes or live in low-standard houses. Comparatively speaking, forced savings is simpler, and as microcomputers are being introduced into our economic life, its operating cost will be relatively low. In contrast, the issuance of the housing certificates is a more complicated task, requiring a large organization and costing more to operate.

If we choose the credit form, does it follow that we need not consider the state's financial capabilities? We think that credit is merely a form of housing funds circulation, a measure adopted to prevent the new housing subsidies

from flowing into other commodity markets. It represents real value and must be guaranteed by real property. The funds have to be supplied by the state. If we fail to consider the state's financial capabilities when deciding on rent and wage increases and keep increasing the amount of housing certificates or forces savings deposits, two possible results may occur: Either new money is issued through the banks without the guarantee of real property, which leads to inflation; or the housing certificates become worthless scraps of paper, and the forced savings turn out to be a meaningless exercise, making it impossible to change the financing channels and spelling defeat to the reform.

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PROVINCIAL

Beijing Municipal Budget Report to Congress Session

SK040027 Beijing BEIJING RIBAO in Chinese
4 Feb 88 p 2

["Excerpts" of the report on the fulfillment of the Beijing Municipal 1987 budget and on its 1988 draft budget delivered by Wang Baosen, director of the Beijing Municipal Financial Bureau, at the first session of the ninth municipal People's Congress on 21 January]

[Text] 1. Fulfillment of the 1987 Budget

Last year, under the correct leadership of the party Central Committee, the State Council, and the Beijing Municipal CPC Committee, new progress was achieved in various undertakings. On this basis, fulfillment of the revenue and expenditure budget was also good.

The 1987 budgetary revenue approved at the sixth session of the eighth municipal People's Congress totaled 6.336 billion yuan. The actual revenue is expected to be 6,361,500,000 yuan, 100.4 percent of the budgetary amount, and a 5.4-percent increase over the actual revenue of the previous year. Excluding incomparable factors, the increase was 10.6 percent.

The 1987 budgetary expenditure approved at the sixth session of the eighth municipal People's Congress was 4.626 billion yuan. In the process of implementing the budget, the state and municipal government allocated additional special funds on several occasions, totaling 465.1 million yuan, to meet the needs of construction and the development of various undertakings. A report was submitted to the municipal People's Congress Standing Committee for approval, and the budgetary expenditure was adjusted to 5,091,100,000 yuan. The result of the fulfillment of the budget showed that the 1987 expenditure is estimated at 4.95 billion yuan, 97.2 percent of the adjusted amount. Fulfillment of the 1987 budget showed that after balancing the revenue and expenditure, there would be some surplus.

The 1987 annual revenue was overfulfilled, and showed a substantial growth over that of the previous year. The expenditure guaranteed key projects, and supported reform and various undertakings. A balance between the revenue and expenditure was achieved, with some surplus, and the overall fulfillment of the budget was good.

Major situations are explained as follows:

A. The efforts to deepen reform, as a powerful force promoting production, made sure that the revenue increased, enterprises shared more profits, and staff members and workers earned more. Last year the industrial output value came to 35.6 billion yuan (excluding village-run industries), showing a 10.5-percent increase over the previous year, and exceeding the 5-percent-increase target defined earlier last year. The total volume of commodity retail sales came to 17.7 billion yuan, 20.9 percent more than the previous year. Economic results improved notably, and enterprises reduced the various profit-decreasing factors, totaling 336 million yuan, through their own efforts to readjust product mix, produce more readily marketable products, economize on material consumption and the funds tied up in overstocked goods, reduce the goods in stock, speed up fund circulation, and improve management. They increased their profits by 86 million yuan through developing new products and producing more readily marketable goods. The stable improvement rate of their product quality reached 97.4 percent, rising by 0.3 percent over the previous year. Their comprehensive energy consumption for per 10,000 yuan of output value declined by 5.3 percent, and their fund circulation was shortened by 2 days.

On the basis of increased production, expanded circulation, and improved economic results, not only did the revenue increase by 10.6 percent over the previous year in terms of comparable standards, but also the enterprises correspondingly retained more profits for themselves. In 1987, enterprises retained 2.51 billion yuan in profits for their own use, showing a 13.3-percent, or 300 million yuan, increase over the previous year. The overwhelming majority of the 16 industrial bureaus (general companies) and the more than 300 large and medium-sized commercial enterprises which instituted the contract system overfulfilled their contracted targets. According to a preliminary estimate, their profits were 145 million yuan more than the basic contracted quotas of profits to be turned over to higher authorities, thus increasing their vigor and their strength for sustained development. Personal income of their staff members and workers also showed a notable increase. According to statistics, the per-capita annual income of the staff members and workers of local enterprises and institutions reached 1,616 yuan, 9.3 percent more than the previous year.

B. Investment pattern was adjusted to support the construction of urban infrastructural facilities. In the 1987 expenses on capital construction, we conscientiously

implemented the principle of guaranteeing key, planned, and productive projects, and reducing nonessential, unplanned, and nonproductive projects, ensured the construction and completion of key projects, and strictly controlled the undertaking of new projects. We emphasized construction of urban infrastructural facilities, and completed a number of cultural, educational, and public health facilities, housing construction projects, and other key projects closely related to the people's livelihood. The strained situation in the water, electricity, and gas supplies, and in road, telecommunications, and housing of the capital was alleviated. New development was also achieved in other undertakings.

In 1987 the municipality spent 190 million yuan on urban maintenance, an 8.5 percent increase over the 1986 figure, improving the protection of urban environment and achieving new development in the work of planting trees and flowers, and beautifying or purifying the environment.

C. Efforts were made to give priority to the key projects and to continuously increase expenses to support the development of undertakings in science and technology, education, culture, public health, and physical culture and sports. The 1987 fixed spending on culture, education, and public health was 847.54 million yuan, a 6.6 percent increase over the 1986 figure. Of this spending, 480 million yuan was spent on educational undertakings, a 7.9 percent increase over the 1986 figure, and surpassing the 5.4 percent increase of financial revenue for education. In 1987 the municipality continuously put the work of supporting educational development on the prominent position and vigorously did practical deeds to develop educational undertakings. Of this spending, 157 million yuan was spent on public health undertakings, a 9.8 percent increase over the 1986 figure; and 46.52 million yuan was spent on physical culture and sports undertakings, a 3.2 percent increase over the 1986 figure. Along with this, the municipality ensured the demands of concentrated training and competition for the national sports games by appropriating more funds and won fourth place in the sixth national sports games thanks to the death-defying struggle of the municipal delegation. In 1987 the municipality spent 130.404 million yuan on scientific undertakings and on the three projects of science and technology, a 28.9 percent increase over the 1986 figure, and successfully supported the operation of the major and important scientific research items and the smooth enforcement of the "plan" of making industrial technologies prosperous and of the "spark plan". In 1987 the municipality accomplished 493 scientific research items, increased about 1,000 items of new products, showed a more than 800 million yuan increase in the output value and a more than 100 million yuan increase in taxes and profits, and earned more than \$10 million of foreign exchange. More than 400 outstanding scientific and technological results won the municipal level awards for scientific and technological progress.

D. We increased the investment in agriculture to promote the building of nonstaple foodstuff production bases and the overall development of the rural economy. In 1987 the municipality spent 161.5 million yuan on supporting rural production and agricultural undertakings, a 4.6 percent increase over the 1986 figure. In order to emphatically help the 37 poor townships change their outlook, the financial departments at municipal, district, and county levels appropriated 5.6 million yuan of special funds and helped them establish 42 town-run enterprises and develop planting and raising undertakings. On the basis of developing production, the 1987 fixed per capita income was 500 yuan. Under such circumstances, one third of the townships will be able to eliminate their poor conditions.

E. On the basis of developing production, the standard of the people's livelihood was continuously improved or upgraded. In 1987 the municipality appropriated 81 million yuan for increasing the income of staff members and workers and for improving or upgrading the standard of the people's livelihood. The fixed urban per capita income in 1987 was 1,182 yuan, a 114 yuan and 10.7 percent increase over the 1986 figure. Along with this, under the current situation in which reforms in various social circles have not been carried out in a coordinated manner and commodity prices have not been totally straightened out, the municipal financial revenue and spending for giving various subsidies to the urban people have shown a greater increase in order not to affect the improvement of the people's livelihood. The 1987 fixed volume in this regard was 2,518,860,000 yuan, a 560.26 million yuan increase over the 1986 figure. Of this volume, that of subsidies for nonstaple foodstuffs of the urban people was 600 million yuan; that of subsidies for the policy of grains and oil-bearing seeds was 902.23 million yuan; that of subsidies for losses in the production of meat, eggs, poultry, and vegetables was 466.57 million yuan; that of subsidies for fuel coal and LPG was 161.67 million yuan; that of subsidies for bus and subway train fares was 139.65 million yuan; that of subsidies for renting houses and heating expenses was 23 million yuan; that of subsidies for manufacturing leather with hog skins was 41.17 million yuan; and that of subsidies for other purposes was 184.57 million yuan. Calculated in terms of the 6 million urban population, the yearly per capita subsidy was 420 yuan and the daily per capita subsidy was 1.15 yuan.

F. Efforts were made to further delegate the power in financial affairs to the grassroots level units, to improve the financial systems at the district-county level, and to establish the financial departments at township and neighborhood levels. In order to bring into play the enthusiasm of districts and counties in increasing incomes and curtailing expenses, we further improved and perfected the financial responsibility systems at the district-county level and promoted the overall increase of financial revenue at the district-county level. The 1987 fixed financial revenue of 18 districts and counties were 1.92 billion yuan, a 19.1 percent increase over the

1986 figure and a nearly 3-fold increase over the increased scale of the municipal total financial revenue. The increase in this regard has been the largest in both scale and volume over the past few years. This has fully proved the superiority of the financial responsibility systems at the district-county level.

At the same time, with a view to spreading the financial structural reform to the grassroots level, we further transferred financial powers to lower levels. In the first half of 1987, we established neighborhood financial departments at all of the 93 neighborhoods in the municipality, and implemented the system of fixed financial quotas for township and neighborhood financial departments. It is estimated that the revenue from the 268 townships (towns) in the municipality will amount to 510 million yuan, a 13.6-percent increase over the previous year; and the revenue from the municipality's 93 neighborhoods will amount to 186 million yuan, a 23.3-percent increase over the previous year. Along with the increase in revenue and the expansion of financial powers, various districts and counties achieved many things which were impossible in the past despite their desire to do so, thus greatly pleasing the masses.

In 1987 the municipality carried out experiments for the fixed-quota allocations system of "fixing the amount of rewards and holding this amount unchanged for a period of 4 years" among the municipal-run gardens, cultural, environmental sanitation, and other institutions. As a result, the situation in which the state assumed sole responsibility for the expenses of institutions was changed, initiative of these institutions was mobilized, and the self-development capacity of these institutions was raised.

G. We should vigorously reduce expenditure on administrative expenses, and strictly control institutional purchases. In line with the demand defined by the national conference on provincial governors with regard to reducing administration expenses by 10 percent mized on the 1986 practical figure, we implemented the methods of "fixing the figure of administrative expenses, retaining the economized portion of expenses, and giving no subsidies for making up the above-quota expenses." At the same time, we cleared up and streamlined administrative organs, controlled the size of the staff, vigorously reduced the number of meetings, and strictly controlled the purchase and establishment of equipment. Thanks to the concerted efforts of various districts, counties, and departments, the municipal administrative expenses are estimated at 177 million yuan, 20,607,000 yuan less than the 1986 figure, or a 10-4-percent decline from the 1986 figure. Not a single district, county, or bureau in the municipality surpassed the fixed target on administrative expenses. In particular, the purchase fees, repairing fees, and fees for official trips were reduced substantially. In the course of curbing administrative expenses, the municipality effectively controlled the institutional purchasing power. It is estimated that the municipality exercised control over 740 million yuan of

institutional purchasing power, not surpassing the central authorities' target of exercising control over 753 million yuan of purchasing power. In addition, the amount of money for purchasing the 18 specially controlled commodities declined by 31 percent.

H. We strengthened the tax collection and management work, rigorously enforced the financial and economic disciplines, and conducted the general inspection on tax, financial, and pricing affairs. In 1987 tax departments conscientiously implemented the State Council's "Decision on Enforcing Tax Laws, and Strengthening Tax Collection," strengthened the inspection on tax payment; reviewed the problems on providing tax exemptions or reductions by overstepping the powers; enforced tax regulations and discipline; vigorously collected taxes; and overfulfilled tax tasks. From January to November, the municipality inspected 36,000 tax paying units and individuals, and revealed that 12,000 of them had indulged in tax evasion, with the amount reaching 216 million yuan. In the fourth quarter of last year, the municipality conducted a general inspection on tax, financial, and pricing affairs in line with the disposition of the State Council. With the close coordination and concerted efforts of financial, tax, and auditing departments, the municipality ferreted out a total of 170 million yuan in illegal money last year, and 140 million yuan of such money has been repaid.

The implementation of the financial budget for 1987 was good, however, some problems existed. Major indicators were: 1) Contradictions between the supply and demand of financial funds were conspicuous, and there was a serious shortage of urban construction funds. 2) Financial subsidies increased too sharply and excessively to be withdrawn by our financial resources. 3) Management and operation were poor and economic efficiency was not good enough at some enterprises, and their internal potential was not tapped. 4) The phenomena of indulging in waste and extravagance, parading one's wealth, and spending money without restraint were still very serious at some units. All of these problems need our conscientious study and should be solved resolutely.

2. Draft Financial Budget for 1988

The 1988 budget projects the revenue at 6.6 billion yuan, a 3.8-percent increase over the fulfilled budgetary figure of 1987. Calculated in terms of comparable standards, the increase will be 9.1 percent, higher than the 6-percent increase in production. The 1988 budget projects expenditure at 5,001,400,000 yuan, a 1-percent increase over the 1987 budgetary figure.

In line with the arrangements of the aforementioned revenue and expenditure, apart from handing over a part of the revenue to the state in line with the financial system, our municipality will achieve a balance between revenue and expenditure. Now let me explain the major situation in the arrangements for the 1988 financial revenue and expenditure.

A. The arrangements for financial revenue are positive and it will maintain a steady increase. The 1988 financial revenue budget is calculated according to the major targets set in the national economic plan arranged by the municipal party committee. That is: the industrial production should increase by 6 percent; the retail sales of social commodities should increase by 16 percent; the cost of comparable products and the commodity circulation funds should drop by 1 percent; and industrial money-losing enterprises should end deficits by 20 percent. At the same time, we will give consideration to raising enterprises' economic results, to the factors for increasing tax resources and resuming some tax categories in an effort to increase revenue and to the factors to reduce revenue such as increasing subsidies for grain and commercial deficits. Judging from the surface, the financial revenue will increase by only 3.8 percent over the previous year, a not-so-big increase. This is caused by the increase in the subsidies for grain and commercial deficits. If these subsidies are deducted from the revenue and if calculated in terms of comparable standards, the increase is 9.1 percent over the previous year. Therefore, these tasks are positive and are comparatively arduous.

B. In financial expenditure, we will implement the guideline of tightening up finance, persist in adopting both rigid and flexible policies, and have guarantees and curtailments. Under the plan, the 1988 financial expenditure will only show a 1-percent increase over the previous year, the lowest increase in the arranged expenditure during the last few years. This is caused by the fact that on the one hand, we have implemented the economic work principle of the central party committee on stabilizing the economy and deepening reform; and on the other hand, the central authorities have adopted a series of policies to tighten up finance, thus making our municipality reduce its financial funds. Therefore, the 1988 financial expenditure must be arranged tightly in line with the principle of adopting both rigid and flexible policies, guaranteeing some projects, and curtailing some minor ones. The emphasis of curtailment lies in reducing the capital construction investment and administrative funds and guaranteeing an appropriate growth in operation funds for education, public health, and science undertakings.

C. On the premise of strictly controlling the scope of capital construction, we will readjust the investment structure and pay attention to strengthening the construction of urban infrastructure facilities. In 1988, the expenditure for capital construction will drop by 23 percent from the previous year. In line with the central demands of tightening up finance while carrying out capital construction projects, this year we should continue to implement the principle of "three guarantees and three restrictions," and concentrate funds on speeding up water, power, gas, heating, and railway construction projects in the urban areas. At the same time, we will make arrangements for some cultural, educational, and public health facilities, and housing projects.

Under the plan, funds for city maintenance for 1988 are 219 million yuan, a 15.3-percent over the previous year. This sum should be mainly used for improving the Sanhuan road, accelerating the renovation of the intersection of the road, establishing traffic guidance facilities, rebuilding and expanding public lavatories, and solving the problems of repairing sewers and maintaining roads.

D. We will increase expenditure for supporting agriculture, and lay emphasis in appropriately supporting large-scale operations in an effort to specialize and commercialize the rural economy. In 1988, the expenditure arranged for supporting rural production and agricultural undertakings are 23 million yuan, a 38.1-percent increase over the previous year. This sum should be mainly used for building a group of new specialized hog raising farms in the suburban areas, further developing hog production, and gradually easing the capital's tense situation in pork supply. In addition, we should support large-scale agricultural production, and accelerate the building of the grain, fresh-water fish, fruits, vegetable, and beef cattle production bases as well as some supporting and renovation projects. At the same time, we should further promote the development of township enterprises, support the construction in outlying, remote, and poverty-stricken mountainous areas and strive to change the backward outlook in some poverty-stricken townships within a short period of time.

E. We will consider science, technology, and education as the strategic emphasis, and actively support the development of scientific, technological, and educational undertakings. The expenditures for cultural, educational, and public health undertakings in 1988 will increase 6 percent over the previous year. Of this, under the arrangements, the funds for educational undertakings will be 515 million yuan, a 7.3-percent increase over the previous year, which will be greater than the growth of financial revenue of the entire municipality. This arrangement was made with our utmost efforts under such a tense financial situation. The increased expenditure will be mainly used for consolidating and popularizing the 9-year compulsory education, increasing student enrollment, buying more teaching facilities, improving teaching conditions, and developing vocational and technical education. Under the arrangements, the funds for scientific undertakings will be 554.4 million yuan, a 10-percent increase over the previous year. This sum will be mainly used for supporting the study of major scientific research projects, actively supporting all forms of scientific research and production associations and accelerate scientific and technological progress.

F. The people's living standard continues to improve. In 1988 through the method of linking the total payroll with economic results and following the growth of production and the improvement of economic results, the wages of enterprise staff members and workers will show a further increase. Bonuses to the staff members and workers of administrative units and institutions will be increased to

a proper extent, and the wages of some staff members and workers will also increase.)Funds needed for these purposes have been arranged in our expenditure. In addition, price subsidies will continue to increase in order to stabilize the market and guarantee the people's lives.

3. Strive To Fulfill the 1988 Budget

As the financial revenue and expenditure tasks for 1988 are very arduous, we should mobilize the people throughout the municipality to conscientiously implement the guidelines of the 13th party congress and the 6th municipal party congress, take reform as the driving force, work in unison, and strive to fulfill the 1988 budget task. For this purpose, we should earnestly carry out the following work.

A. We should continue to deepen reform, strive to promote production, improve economic results, and increase the revenue. In 1988, we should gradually put into effect the system under which financial departments directly make the accounts of enterprises. To stabilize the contracted managerial responsibility system, and consolidate the achievements in reform, the above-quota profit sharing percentage of enterprises, as determined in their contracts signed with financial departments, will remain unchanged, and should be carried out in line with the contracts. We should strengthen the basic work of enterprises, introduce the element of competition into their contracted management, and actively popularize the method of making accounts by "in-plant banks." We should strengthen management of state-owned assets, and make sure that the state-owned assets remain complete and increase their value.

This year, on the premise of maintaining a fixed growth rate, industrial enterprises are urged to raise the profit and tax rate from their marketing by 1 percent, and reduce their two types of funds (administrative funds and the changeable part of the workshop funds) by 10 percent. Loss-making industrial enterprises are urged to reduce their deficits by 20 percent. The cost of comparable products, and the commodity circulation expenses of the enterprises are urged to reduce by 1 percent. The above-mentioned targets should be assigned to every grassroots level. Enterprises enforcing the contracted managerial responsibility system should guarantee the fulfillment of the above-mentioned targets in addition to their quotas of profits and taxes to be turned over to higher authorities.

B. We should raise funds, and open up broad financial resources to alleviate the capital's shortage of construction funds. At present, we should raise funds, open up broad financial resources, actively make use of some extra-budgetary funds through great development of financial credit undertakings, strive to win the loans of the World Bank, and adopt some realistic and feasible measures to collect some funds to make up for the shortage of the construction funds of the capital.

C. We should tighten up finance, and bring expenses strictly under control. In the 1988 expenditure, on the premise that the key construction projects and the minimum needs in the development of various undertakings are guaranteed, we should continue to strictly control the scope of capital construction, and strengthen the procedures to examine, approve, and manage the self-raised funds for capital construction projects, and the investment in unplanned projects. We should strictly control, economize on, and reduce administrative expenses, and control the irrational increase of personnel. Without approval, no department is permitted to increase their units and personnel arbitrarily. We should streamline, straighten out, and take stock of the existing administrative organs, in particular some temporary organs and the great number of societies and associations. Expenses for public purposes, such as purchases, repairment, and official trips, should be reduced by 20 percent. From this year, administrative units should carry out the method of assuming full responsibility for their expenses, and should also assign fixed quotas of expenses to lower levels, which must not be exceeded. We should strictly control institutional purchases, strengthen the procedures to examine and approve the purchases of the specially controlled commodities, and sternly deal with both the sellers and buyers who sell and buy the specially controlled commodities in violation of discipline.

In addition, we should reform some irrational subsidizing systems and methods on the premise that the people's living standard is not effected, bring into better balance the relations of various sectors, and adopt certain measures to control the precipitous rise in financial subsidies.

D. We should improve management, continue to delegate power to lower levels, and arouse the enthusiasm of all fronts for increasing revenue and reducing expenditure. In 1988, we should continuously consolidate and perfect the system under which the municipality assigns revenue quotas to districts and counties and strive to arouse the enthusiasm of districts and counties for increasing revenue and reducing expenditure. Through deepening reform, all districts and counties should promote the economic development, upgrade economic results, and strive to increase revenue. Meanwhile, the municipality should appropriately delegate some financial powers to the lower levels, strengthen township and neighborhood financial management, arouse the enthusiasm of township and neighborhood financial departments for increasing revenue and reducing expenditure, and consolidate and perfect the existing township and neighborhood financial departments.

On the basis of carrying out the system of institutions with fixed funds on a trial basis in 1987, we should comprehensively carry out the system among the institutions with income, expand their financial powers, and enhance their vitality to make progress. Meanwhile, it is necessary to conduct the pilot reform of the medical and public health

organizational structure and the free medical service structure and to explore new ways for enlivening hospitals and saving expenses in free medical services.

E. We should strengthen financial and tax management and strictly enforce state financial and economic discipline. Tax departments should further intensify tax management, persist in the method of paying taxes according to law, strengthen tax inspection, stop up loopholes due to tax evasion, strictly investigate and handle the activities of tax evasion, bring into play their functions for regulating the economy, and ensure that all taxes are timely paid. All departments should positively and cooperatively support tax departments in order to jointly safeguard the state tax collection work. Financial, tax, and auditing departments should closely cooperate with each other, strengthen the regular inspection of the implementation of the financial and economic discipline, bravely engage themselves in the financial management work, and conduct tax and financial inspection according to law. We should continue to deeply conduct the general financial, price, and tax inspection work, conduct self-inspection, and place emphasis on inspecting key units. We should strengthen financial legislation, and resolutely stop such law- and discipline-violating activities as evading taxes, arbitrarily raising production costs, arbitrarily raising goods prices, arbitrarily giving cash awards, and making false reports on profits.

F. We should further strengthen the construction of the ranks of financial and tax department workers in order to suit the demands of reform. Along with the further deepening of the economic structure reform, the tasks of the financial and tax departments are getting increasingly heavier, and the roles of these departments are getting increasingly more important. In order to suit the demands of reform, we should further strengthen the construction of financial and tax organizations, strengthen the construction of the ranks of the cadres of these departments, and upgrade the quality of their cadres. All departments should positively support the work of financial and tax departments.

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["Excerpts" of report on Beijing Municipality's fulfillment of the 1987 plan and its 1988 draft plan for national economic and social development delivered by Wang Jun, director of the Beijing Municipal Planning Commission, at the first session of the ninth municipal People's Congress on 21 January]

[Text] Fellow deputies:

Entrusted by the municipal government, I will now give a report on Beijing Municipality's fulfillment of its 1987 plan and on its 1988 draft plan for national economic and social development for your examination and discussion.

I. Reform and opening up facilitated the development of the national economy, and fulfillment of the 1987 plan was good.

Last year, our municipality deepened the reforms in various fields, promoted its opening up to the outside world, launched the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures, and achieved a sustained and coordinated development of its economy. The various major tasks and targets of the 1987 plan decided on at the sixth session of the eighth municipal People's Congress were fulfilled or overfulfilled thanks to the concerted efforts of the people throughout the municipality, the growth rates reached or surpassed the targets as required by the Seventh 5-Year Plan, economic construction was brought up to a new level, new achievements were scored in urban construction, and new progress was made in various social undertakings. According to initial statistics, the 1987 gross domestic product came to 31.2 billion yuan (in terms of the prices of the same year), 102.3 percent of the plan, and 9.6 percent over the previous year; and the industrial and agricultural output value came to 40.82 billion yuan, 106.6 percent of the plan, and 10.9 percent over the previous year.

A. Industrial production grew in a sustained and stable manner.

A good trend of stable growth was maintained in industrial production. The annual industrial output value was 35.6 billion yuan, exceeding the annual target and the previous year by 6.3 and 10.5 percent, respectively. While further readjusting the industrial structure and developing the industries conforming to the characteristics of the capital, we continued to adjust product mix. A substantial growth was registered in readily marketable but undersupplied color television sets, refrigerators, pianos, knitting wool, and beer. Production of important raw materials, machinery equipment, and agriculture-oriented products, such as rolled steel, gas, coal, diesel oil, power generating equipment, vehicles, and chemical fertilizer, also increased by a fairly large margin. Industrial enterprises tapped potential, strived to ease the strain created by the increases of raw material prices, and thus improved their economic results. They completed 160 technical transformation and technology import projects, thus increasing their strength for sustained development.

Railway, communications, postal and telecommunications, and geological prospecting departments also fulfilled their plans, and scored new achievements.

B. The rural economy developed in a comprehensive manner.

The rural social product came to 12.05 billion yuan, showing a 21.2-percent increase over the previous year. More importance was attached to grain production, the trend of a shrinkage in grain areas was brought under

control, and all-time records were created in summer and autumn grain harvests. Grain output reached 2.27 billion kg, increasing by 73 million kg over 1985 in which historical records were achieved. Marketable vegetables aimed at regulating market supply basically guaranteed the market supply of ordinary vegetables, and the proportion of scarce vegetables notably increased. The supply of marketable eggs remained the same as the previous year, that of marketable milk grew by 6.3 percent, and the output of fresh-water fish rose by 36.1 percent. The state and the peasants increased their input into agriculture, with the application of chemical fertilizer increasing by 50 percent, the use of plastic sheets by 40 percent, and the agricultural loans of agricultural banks by 37 percent. This played an important role in agricultural development. Township industries developed continuously at a fairly high rate, and their total income grew by 22.5 percent over the previous year, thus further increasing their competitive edges. With the great support of district and county governments, and the relevant departments of the municipality, and through their own efforts, the 37 poverty-stricken townships in the suburban areas achieved a fairly rapid economic development.

C. The scale of capital construction was brought under control, and new achievements were scored in urban construction.

Last year, the municipality conscientiously implemented the "three-guarantees and three-restrictions" policy, cleared up those projects under construction, exercised strict control over the newly started projects, guaranteed the construction of key projects, and ensured the completion of various projects, thus effectively controlling the scale of construction. The investment in capital construction throughout the municipality totaled 6.52 billion yuan, an 11.1-percent increase over the previous year. Of this, the local investment amounted to 2.4 billion yuan, a 5.2-percent increase. The investment volume made by all people-owned departments in capital construction was controlled within the state-assigned target. Last year, the municipality built 9.2 million square meters of residences, 130,000 square meters more than the previous year. The completion rate of housing construction rose from 32.8 percent in the previous year to 34 percent in 1987. The municipality also built 3.5 million square meters of dormitories, registering an increase over the previous year. Of this, 2.4 million square meters of dormitories were built by the localities, including the 121,000 square meters of dormitories for teachers of primary and middle schools (of which, 300,000 square meters were already completed). Of the 2.4 million square meters of dormitories built by the localities, 150,000 square meters were the houses covered by the private house policy, of which, 550,000 square meters were completed.

Continued efforts were made to accelerate the construction of the urban infrastructure, and a number of roads, bridges, coal gas and heat supplying facilities, and telecommunications facilities were completed and made

available to users. Last year, the municipality built and expanded 13 urban roads, rebuilt 34 intersections, and completed the building of the Tiananmen underground pedestrian crosswalk, thus enhancing the crossing capacity of vehicles. Meanwhile, the construction of the circle line of the Fuxingmen subway track was completed, thus forming the circulate route for the second line of the subway. The first and second phases of the Beijing-Shijiazhuang highway was completed and opened to traffic. Construction of the project of the southeast second outer ring road was started. Construction of the Zuojiazhuang heat supplying plant, and the Xiluoyuan divisional heat supplying boiler room was completed and commissioned. Last year, the area undergoing the centralized and linked heating system developed to 5.2 million square meters. In gas supplying projects, the municipality completed the construction of the No. 6 coke boiler of the coking plant, the trunk natural gas transmission line from the coking plant to Zhongguancun, the Beijiao bottle injection plant, and the plant's outer pipe line. As a result, the daily coke gas supplying capacity was increased by 24,000 cubic meters, and households using coal and natural gas increased by 66,000. At the same time, the number of telephone subscribers increased by 31,000, making the total number of subscribers reach 194,000. Last year was a record year in developing telephone subscribers and households using coal gas.

New progress was made in making the urban areas green, beautiful, and clean. Last year, the suburban areas planted 1.86 million trees, laid 1.14 million square meters of lawn, planted 740,000 Chinese roses and perennial root flowers, newly built 116 hectares of forest spots, and built 37.8 hectares of grassland along streets. The 12 environment protection tasks defined at the beginning of last year were basically fulfilled. The municipality comprehensively renovated the Xiannongtan and the Yuetan zones and both sides of the second ring road; eliminated more than 80 major pollution sources; removed 14 plants (workshops) which caused serious pollution and created inconveniences for the residents; and built 6 low-noise zones. In addition, among the coal using households, more than 75 percent used honeycomb briquet.

D. The municipality was opened wider to the outside world, and new breakthroughs were made in foreign trade, exports, tourism, and utilization of foreign capital.

Last year, the municipality earned \$882 million through exports, fulfilling the state plan by 129.4 percent, or a 21.7-percent increase over the previous year, or approximately fulfilling the 1990 target stipulated by the Seventh 5-Year Plan. The export product structure was further improved, and such products as refrigerators, washing machines, color television sets, motorcycles, jeeps, and forklifts began to enter the world markets.

The tourist trade developed in a sustained and steady manner. Last year, the municipality completed the construction of eight hotels to accommodate foreign guests

and the Badaling and Mutianyu double-lane highways. As a result, the comprehensive accommodation capacity was strengthened further. Last year, the municipality received 1.078 million tourists from other countries, an 8.9-percent increase over the previous year; and earned \$550 million in foreign exchange.

New progress was made in using foreign capital. Last year, the municipality approved the establishment of 78 Chinese-foreign joint venture and cooperative projects, and approved 72 contracts concerning these projects with the negotiated value reaching \$1.22 billion.

E. We made new progress in science and technology, education, culture, public health, and sports.

The reform of the scientific research system was further deepened. Through development, the province had more than 1,300 scientific research-production lateral organizations. The agricultural systems engineering covered in the "spark plan" were in full swing. The 105 projects to serve the town and township enterprises were checked in succession before acceptance. The 171 projects, the first group of projects covered in the "industrial and technological rejuvenation plan" began construction. The scientific and technological work to serve the capital's urban construction and management was continuously intensified.

Education was further developed. Universities, middle schools, secondary specialized schools, technical schools, vocational senior high schools, and secondary specialized schools for adults fulfilled or overfulfilled the enrollment plans. The enrollment in institutions of higher learning (including postgraduates) was more than 150,000, setting a record in history. To solve the problems concerning the distribution of the most excessive junior middle school graduates, secondary schools of various categories increased the enrollment by more than 20,000 students through the efforts made by educational and labor departments at various levels. Meanwhile, the municipality also opened continuation classes and pre-occupational training classes for the junior middle school graduates who did not further their studies. To solve the problems concerning primary schools with two shifts, the municipality paid attention to expanding and reconstructing primary schoolhouses. In 1987, 23 primary and middle schools were expanded or rebuilt, 13,000 desks and chairs were newly added, and 221 new urban and rural nurseries were built.

New progress was made in culture, public health, and sports. The Chinese People's Memorial Hall for the War of Resistance Against Japan was built. Ten district- and county-level cultural centers, archives, libraries, scientific and technological centers, and foreign-language bookstores were built. The number of papers and magazines published increased over that of last year. The public health front set up more than 130 medical associations. Seventy-four recovery hospitals were set up. There were more than 1,200 private clinics and more

than 20,000 family sickbeds. In 1987, the municipality built 21 hospitals and added more than 1,300 new hospitalbeds. Thus, there were 4.3 sickbeds per thousand people. The municipality made good achievements in sports. At the sixth national games, athletes of the municipality won 65 gold, silver, and bronze medals; and the Beijing sports team captured fourth place in the team competition and was commended as a representative team of spiritual civilization. Projects for the 11th Asian games were comprehensively begun.

New progress was made in social welfare facilities. Social welfare service networks were set up among 76 suburban streets. A total of 231 new welfare facilities were set up in urban and rural areas. About 90 percent of the disabled persons with working abilities in the urban and rural areas were provided with jobs. Dormitories for the personnel of civil administrative front occupying an area of 10,000 square meters were completed.

F. Urban and rural markets were brisk and the people's livelihood was continuously improved.

The purchasing power of commodities continuously increased. The sales of commodities of various kinds comprehensively increased. The total value of commodities purchased was 27.4 billion yuan, an increase of 24.4 percent. The volume of retail sales of commodities was 17.7 billion yuan, overfulfilling the plan by 9.9 percent and showing an increase of 20.9 percent over 1986. Trade fairs were brisk. The transaction volume of trade fairs increased by a big margin. Commercial enterprises of various sectors of the economy exercising various types of management methods were continuously developed. In 1987, more than 10,000 new commercial service centers were added. By the end of 1987, the municipality had 110,000 commercial service centers. Lateral economic cooperation was further expanded. A group of farm and sideline products bases were set up outside the municipality. This has played a positive role in expanding the sources of goods and stabilizing markets.

The urban and rural people's livelihood was continuously improved. The total wage allocations in four fields increased by 18.4 percent over 1986. The per capita income of the peasants in the suburban areas increased by about 60 yuan over that of 1986. The savings deposits of urban and rural dwellers reached 9.3 billion yuan at the end of 1987, an increase of 2.44 billion yuan over the figure at the beginning of 1987.

G. The financial and monetary situation was good.

The revenue increased, and the expenditure was further kept under control. The annual revenue came to 6.36 billion yuan, overfulfilling the budgetary target approved by the municipal People's Congress, and showing a 5.4-percent increase over the actual amount of the previous year. The annual expenditure came to 4.95 billion yuan, which was kept within the adjusted budgetary amount.

Bank loans were kept within state targets. The various banks also satisfactorily fulfilled their tasks of issuing a total of 1.28 billion yuan of various securities. Insurance business witnessed a great development, with the income from insurance premium increasing by 30 percent over the previous year, of which the insurance premium involving foreigners increased by 22.7 percent.

The economic structural reform carried out last year played an important role in facilitating the vigorous development of the municipality's economy and various undertakings. The major work we performed was to popularize the multifomed management responsibility system, expand the scope of guidance plans and market regulation, establish and develop the markets for means of production, money, technology, and labor service, and gradually lead enterprises to a road of market competition and responsibility for their own profits and losses. Planning, financial, tax, banking, labor, pricing, auditing, industrial and commercial administrative, and other departments charged with overall economic responsibilities also actively coordinated and supported the reforms of various trades while intensifying their own reforms, and exerted efforts to collect funds, foreign exchange and materials from various quarters to basically ensure the needs of production and construction.

II. We should stabilize the economy, deepen reform, carry out opening up successfully, and work out the 1988 plan well.

The major tasks of the 1988 Beijing Municipal plan for national economic and social development are to further deepen the economic structural reforms in various fields with the key on invigorating enterprises; to further extend the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures, with the focus on improving economic results, and facilitate a coordinated economic development; to strive to increase production, improve supply, and maintain a thriving market and a basic stability of commodity prices; to strengthen macroeconomic management, and tighten up finance, credit, and foreign exchange expenses; to bring under strict control the scope of capital construction, and the precipitous rise in consumption funds; to further attach importance to and develop various social undertakings; and to continue to improve the living standard of urban and rural people on the basis of a stable growth in production.

The major targets of the national economy as arranged in the draft plan are as follows:

The gross domestic product is 33.5 billion yuan, a 7-percent increase.

The national income is 23.7 billion yuan, a 6-percent increase.

The industrial and agricultural output value is 42.9 billion yuan, a 5-percent increase.

The revenue is 6.6 billion yuan, a 3.8-percent increase.

The scale of capital construction is kept within the level as last year's.

The draft plan's arrangements for several major departments are as follows:

A. Great attention should be paid to agricultural production to ensure a stable growth in the output of farm and sideline products.

We should continue to popularize specialized production, and management on a proper scale in line with local conditions, and strive to raise agricultural productivity, and the land output rate. We should attach greater importance to grain production, stabilize grain areas, raise per-unit yields, and step up construction of suburban marketable grain bases. According to the draft plan, grain output will reach 2.1 billion kg.

We should guarantee the production and supply of vegetable. The areas sown to marketable vegetables aimed at regulating market supply should be maintained at 16,500 hectares (247,000 mu), of which 11,400 hectares (170,000 mu) will be in the near suburbs, and 5,100 hectares (77,000 mu) will be in the outer suburbs. According to the standards of modern vegetable fields, we should successfully build the first batch of protective land totaling 1,300 hectares (20,000 mu). The annual amount of vegetables supplied to the market should reach more than 1.05 billion kg.

We should further develop hog production. We should muster the efforts of state and collective units, and the individuals, adopt modern breeding technology, and accelerate the specialization, commercialization, and modernization of the production of hogs. Grain used as feed allocated by the state should be linked with, and be truly used in hog production. To support the construction of stock hog farms, the municipal Planning Commission and the municipal Financial Bureau will arrange for fund supply, and special loans will be issued, totaling 100 million yuan. The various suburban counties (districts) should strengthen leadership, actively raise funds by themselves, and work out overall plans to build county and township stock hog farms by stages and in groups as quickly as possible.

We should continue to make good arrangements for the production of eggs, milk, and fish. According to the draft plan, fresh egg output is 155 million kg, and marketable egg 138 million kg. Commercial departments should adopt the method of linking feed supply with egg production, and ensure the fulfillment of contracts. Milk output will be 175 million kg. We should actively develop dairy products on the premise that fresh milk supply is guaranteed. The amount of fresh-water fish harvest will be 27.5 million kg. We should gradually solve the problem of overconcentration of supply.

We should actively develop township enterprises. The draft plan arranges that the output value and the income of township enterprises should all grow by more than 15 percent. Township industrial enterprises should strive to accumulate more funds, reduce their reliance on credit funds, and strive to maintain exuberant vitality under the circumstances that credits are tightened up so as to make new contributions to rural economic development.

The municipality as well as counties (districts), townships, villages, and peasants should further increase their input into agriculture, and all trades and professions should continue to strengthen their support to agriculture. This year's investment in farmland and forest irrigation projects and the special funds invested in the construction of county-level stock hog farms as arranged in the plan increase by 42.5 percent in total as compared with the previous year; and funds in support of agriculture allocated by the municipal financial department increase by 38.5 percent. The amount of chemical fertilizer supply that has already been arranged shows a 37.5-percent increase over the amount arranged at the beginning of last year. The various suburban counties should also actively organize the supply of chemical fertilizer. At the same time, great efforts should be made to apply more organic fertilizer and farm manure. A total of 11,000 tons of plastic sheet supply for farm use are arranged, showing an increase of 67 percent over the last year. Efforts should be made to increase the supplies of pesticides and diesel oil. Major projects arranged for agricultural capital construction include the Beijiao Dairy Product Plant, construction of a batch of stock hog farms and lean-meat hog farms, the Dafa table chicken farm, net fish farming, the crop building, and the vegetable research center of the agroscientific institute. We should step up efforts to build them.

B. In industry, we should promote production with reform, and maintain a proper growth rate.

In industry, on the basis that the multiformed contract responsibility system is improved, we should concentrate efforts on deepening the reform within enterprises, and improving the managerial mechanisms of enterprises. We should promote production with reform, deepen the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures, and guarantee a 5-percent and strive for a 6-percent increase in industrial production on the premise that economic results and product quality are improved. According to the draft plan, the output of rolled steel is 2.65 million tons, that of cement 3 million tons, that of vehicles 78,500, that of electricity 10.64 billion kilowatt hours, that of chemical fertilizer 88,600 tons, that of television sets 900,000, that of refrigerators 210,000, and that of wool fabrics 16.4 million meters. The municipality's comprehensive energy consumption for per 10,000-yuan of output value should decline by 3 percent, and water conservation rate should be 5 percent.

We should continue to readjust product mix, greatly increase the production of good-quality brand-name products and the daily consumer goods in short supply while striving to produce more undersupplied raw materials, and conduct research on and develop a number of new products and new variety so that the urban and rural market demands at various levels can be satisfied. We should resolutely reduce, limit, and stop the production of oversupplied goods, and guide enterprises to develop toward the direction of meeting market demands.

We should persistently give top priority to technological progress, and strive to promote the improvement in industrial standards by vigorously developing exports. We should further import advanced technologies from abroad, and closely combine the import of advanced technologies with the application, study, and further development of these technologies. Centering on the 20 "leading products," such as jeeps, refrigerators, color television sets, cameras, and cassette tape recorders, we should adopt the method of open bidding, formulate and implement by stages the plans for mastering and applying advanced foreign technologies and for increasing the proportion of goods produced at home, and strive to produce import substitutes for a number of products, which are in great demand on markets, are needed by a large number of the people, and consume a large amount of foreign exchange, in the last 3 years of the Seventh 5-Year Plan period, so that we can greatly improve Beijing's industrial standard.

With key and superior products as the leader, we should further develop lateral associations, and organize enterprise groups. Enterprises should be actually granted the autonomy in organizing associations. From now on, pertinent departments should give support to those lateral associations which gear to the orientation of the capital's industrial development, which are based on voluntary participation of enterprises, and which are conducive to various parties.

We should attend to the industrial capital construction and to the construction, completion, and commission of technological transformation projects. Towards those key projects covered by the Seventh 5-Year Plan, we should pay attention to their construction rate, completion, commission, and efficiency in order to gain more momentum for industrial development. The Huadong Brewery should be completed and commissioned within this year in line with the plan; and the construction of the color kinescope plant should be accelerated. We should unfailingly grasp the implementation of those technological transformation projects which are brought in line with the "two-guarantee, and one-linking up" agreements on contracted management; and should inspect the construction of these projects at regular intervals, in order to ensure their completion on schedule.

Industrial, communications, and building enterprises, and responsible departments should pay high attention to production safety, and strive to reduce the number of

serious injury accidents and deaths caused by accidents in order to ensure that production safety this year will be better than that in the past year.

C. We should make good arrangements for commodity supply, and keep the markets brisk and prosperous.

Increasing commodity supply, and maintaining the stability of markets and the people's livelihood constitute an extremely important task for this year's economic work. The draft plan projects this year's total volume of retail sales at 20.5 billion yuan, a 16-percent increase over the previous year.

Commercial departments should attach importance to making good arrangements for the procurement and supply of such important agricultural and sideline products as meat, eggs, sugar, grain, and edible oil and of those light and textile industrial products which are in short supply on markets; and should strive to increase the supply of means of agricultural production. Agricultural departments should strive to increase the amount of commodities for regulating markets in line with the contract purchase agreements. We should correctly handle the relations between domestic and foreign markets in order to make overall planning for export and domestic sales. Towards those industrial products which are in short supply on markets and are produced by the municipality itself, we should appropriately coordinate the relations of purchase and marketing between industrial and commercial enterprises, and strive to satisfy the necessary supply on the capital's markets. We should further use the market regulation mechanism to guide production enterprises to increase the production of readily marketable products, and, at the same time, should link the procurement of some important commodities with the supply of raw materials, the distribution of foreign exchange for export, and the financial subsidies, in order to encourage industrial and agricultural production departments to fulfill their tasks.

Continued efforts should be made to build commercial facilities. The projected major commercial facilities are: the Fuwai comprehensive commercial building, the Gongzhuwen urban and rural trade center, the Yongwai cultural appliances wholesale market, a grain storehouse, the Fuchengmen vegetable market, a number of grain and foodstuff processing plants, and 7,000 commercial, catering, service, and repair shops.

D. We should continue to expand foreign export trade, vigorously develop tourist trade, and positively utilize foreign capital.

The municipality should \$780 million of foreign exchange through exports according to the draft plan and should strive to create \$900 million of foreign exchange in order to fulfill the foreign exchange-earning target covered in the Seventh 5-Year Plan, 2 years ahead of schedule. In line with the targets of assuming responsibility for profits or losses, decontrolling management,

linking industry with trade, and implementing the system whereby foreign trade corporations can act as agents for other enterprises in the export of their commodities, we should comprehensively carry out the contracted management responsibility system among foreign trade enterprises to promote the further opening of the country to the outside world. We should adopt measures for intensifying the purchases of export goods. At the same time, we should do a good job in creating foreign exchange through exports in order to ensure the fulfillment of the state-assigned plan for creating foreign exchange through exports.

It is necessary to vigorously develop the tourist trade. According to the draft plan, the municipality should receive 1.2 million tourists, an increase of 120,000 people over 1987. The municipality should earn more than \$600 million of foreign exchange from the tourist trade. It is necessary to further deepen the reform of the tourist trade management system and to consolidate the order of tourist markets. Efforts should be made to continuously enhance the on-going construction of hotels and tourist attractions and to do a good job in launching the campaign of international tourist year with the Year of the Dragon as a major subject.

This year we should make greater progress in utilizing foreign capital. It is necessary to continuously improve the investment environment. According to the state relevant policies, we should encourage and guide foreign businessmen to invest in the development of productive trades, particularly, the key trades covered in the municipal development plan. We should conscientiously create conditions for developing raw materials and energy resources, providing supporting funds, and developing other construction projects. We should positively utilize the loans granted by foreign governments and the World Bank to develop education and public health and to improve urban infrastructural facilities.

E. It is necessary to continuously develop education, science, culture, sports, and public health.

The educational development should be placed in a prominent strategic position. We should consolidate the 9-year compulsory education, further develop secondary technical education, and place emphasis on readjusting the higher educational structure. According to the draft plan, institutions of higher learning subordinate to the municipality should enroll 365 postgraduates, ordinary institutions of higher learning should enroll 10,800 students, secondary specialized schools (including the secondary specialized schools of the central authorities in Beijing) should enroll 15,000 students, technical schools should enroll 11,000 students, and vocational middle schools should enroll 18,000 students.

We should continuously do a good job in distributing the junior middle school graduates. Educational and labor departments and suburban districts should continuously cooperate with each other to open various types of

professional training classes, continuation classes, and pre-occupational training classes for the junior middle school graduates who do not enter schools of a higher grade.

We should pay full attention to solving the problems relating to primary schools with two shifts. The municipality and districts should be determined to arrange funds for rebuilding or expanding primary schoolhouses and should carry out the system of district heads assuming responsibility for schoolhouse reconstruction and expansion. Planning, financial, and construction departments should cooperate with each other to ensure the fulfillment or prefulfillment of the primary schoolhouse reconstruction and expansion plans.

We should further pay attention to, consolidate, and develop adult education. Efforts should be made to develop various categories of adult schools with the focus on opening professional training classes and in-service training classes. According to the draft plan, adult schools should enroll 16,000 students and adult secondary specialized schools should enroll 15,500 students.

We should continuously improve the conditions for running schools of various categories and strive to expand schoolhouses and houses for teachers. Under the situation of tightening up finance and controlling the scale of construction, the educational outlay arranged this year still shows an increase of 7.3 percent over that of 1987 and the investment in capital construction increases by 7.6 percent. We should further arouse the enthusiasm of the people in society to collect funds for education and make efforts to develop plants run by primary and middle schools in order to provide the students with conditions for work and practices and to supplement school funds. According to the draft plan, the municipality should continuously build the laboratories of the Beijing Teachers Training Institution, the main building of Beijing Industrial University, the library of the Economic Institution, vocational technical normal universities, building material and light industrial institutions, radio and television colleges, and some primary and middle schools. Some of the sanatoriums for teachers will be completed this year. Of the 70 primary and middle schools that should be reconstructed or expanded according to the plan, some 20 should be completed this year. The Xizang Nationality middle school should be constructed at a faster speed and should be completed during next summer vacation.

We should continue to deepen the reform of scientific and technological work, encourage scientific research institutes to join enterprises and enterprise groups, continuously develop a number of associations composed of scientific research and production units, and groups of new industries, relax control over science and technology, and enliven the technology market. We should continue to implement the "spark program" the "industrial technology development plan," and the "special urban

scientific and technological plans." Meanwhile, we should make a success of the industrial experimental projects assigned by the state, and the construction of scientific research bases, and strengthen the work of technological exchange and technology exports.

We should also deepen the reform of health work, continue to build hospitals at various levels through various measures, consolidate and develop medical associations, further strengthen disease prevention and health care, and intensify medical education and training of personnel. We should step up construction of medical facilities. According to the arrangements of the draft plan, hospitals under the municipality which are under construction total 18, and we should strive to complete the construction of the Jishuitan, Fuxing and the No. 4 hospitals, and the medication inspection center, and continue the construction of the Shoudu Medical College, the paediatric research center, the youyi and Tongren Hospitals, the children hospital, the hospital of traditional Chinese medicine, the hospital for the people of Hui nationality, and several district and county hospitals. It is planned that 1,000 sickbeds will be increased. In the meantime, we should continue to develop home-based sickbeds to alleviate the difficulty in hospitalization.

We should step up the construction of radio and television stations, and build another six district and county cultural centers, libraries, scientific and technological centers, and archives departments. We should make good preparations to usher in the Asian games. Construction of the facilities for the Asian games should be completed in quality and quantity, and on schedule. We should strive to complete the renovation and expansion of 10 stadiums and gymnasiums, including the Xian-nongtan Stadium, the artificial stadium, and the gymnasium for university students.

Great importance should be attached to controlling population growth. This year, we should strive to keep the population of the municipality at approximately 9.99 million. This task is very arduous. In addition to urban family planning, we should pay particular attention to rural family planning work. Meanwhile, we should continue to strictly control the mechanical increase of the population.

F. We should continue to put the construction of infrastructural facilities in the first place of urban construction, and meanwhile strengthen improvement of the environment.

Construction of urban infrastructural facilities is still the major portion of the plan. We should step up the construction of the first-phase project of the No. 9 water works and its supporting water pipes. It is demanded that water be supplied on 1 July this year. The first 200,000-kilowatt power generating unit of the Shijingshan Power Plant should go into operation before the end of the first half of this year. We should continue to

step up the construction of the second ring road outside the east and south gates, and extend the underground railway track from Fuxingmen to the east. Concerning heat supply projects, the three peak boilers of the No. 2 thermal power plant should all be completed and commissioned, and efforts should be made to enable one of the peak boilers of the No. 1 thermal power plant to operate by the end of this year. Central and large-area heat supply acreage should be increased by 4 million square meters. Concerning gas supply projects, the major tasks are to complete the tank station for the trunk natural gas pipes from the coking plant to Zhongguan Village, continue the construction of the No. 5 coke furnace of the coking plant, and the No. 3 liquefied gas storage plant, and increase the coal gas and natural gas consuming households by 70,000. For the coal gas production project of the Shoudu Iron and Steel Company, a loan agreement has been officially signed with a foreign county, and construction will soon begin. As far as sewage treatment projects are concerned, the construction of the Miyun and Huairou Sewage Treatment Plants has started, land requisition and housing dismantlement for the construction of the Gaobeidian Sewage Treatment Plant should be completed, and equipment orders for the project should be accelerated. The municipal Administrative Department has also made arrangements for the first-phase renovation project of the underground railway tracks, and the renovation of the Beijing section and its connecting lines of the Beijing-Tianjin-Tanggu Highway, the Liuliqiao Overpass, the Jingyu road, and some intersections in the city proper. With the great support of the Ministry of Post and Telecommunications, it is demanded that this year telephone lines increase by 31,000 lines, and telephone subscribers increase by 28,000.

We should pay attention to urban greening continuously. We should plant 1.2 million trees in near suburbs, build 1 million square meters of lawns, plant 500,000 Chinese rose and perennial root trees, newly build 246.7 hectares (3,700 mu) of forests, and plant trees on 26 km of ring belts and 140 hectares of land in the outer fringe of the city. We should continue to afforest and beautify the second ring road, start to improve the third ring road, and plant trees along a number of new roads to coordinate with the construction of the Asian games facilities. Trees should also be planted extensively in the some dozen new small residential areas.

In environmental protection, we should continue the 12 major solid jobs, mainly the comprehensive improvement of the environments surrounding the five stadium and gymnasium for the Asian games; elimination of the sources polluting the surface water of the Miyun and Huairou reservoirs, and the first- and second-grade protection areas of the channel diverting water from the Miyun reservoir to Beijing, and the sources polluting the key areas of water wells, that constitute water sources, and the underground water of the protection areas of the No. 3 and the No. 8 water works; completion of the

third-phase harnessing project of the Yudai He, and the first-phase harnessing project of the Xiaolong He; continued elimination of the sources causing noise pollution in the third ring road, and construction of the Donghuashi and three other small residential areas with low noise; improvement of the 60 plants (workshops) which cause serious pollution and disrupt the people's lives, or moving of these plants to other areas; and continued popularization of shaped coal. A total of 6,700 hectares (100,000 mu) of water conservation forests should be built, 153.3 hectares (2,300 mu) of sandy land should be improved, and the pollution caused by township enterprises should be eliminated so as to protect agricultural ecological environment.

G. We should further keep the scope of capital construction under control.

This year the guiding ideology for working out the capital construction plan is to continuously implement the principle of ensuring key, planned, and productive projects and reducing nonessential, unplanned, and non-productive projects, see 5#3 :903 7,\$34 :9,549), take the overall situation into account, and emphasize key projects while giving consideration to ordinary ones. The principle for arranging the projects is to arrange completed and key projects on a priority basis, arrange continued projects when conditions permit, and stop starting new projects except for the ones involving foreign countries, or especially approved by the municipal government. According to the arrangements of the draft plan, the investment in local capital construction is 1.974 billion yuan, basically the same as that planned at the beginning of last year. Among the capital construction funds allocated from the municipal financial resources, about 50 percent will be used in the construction of urban infrastructural facilities. Investment in agriculture, education, science, culture, health, and other undertakings will increase as compared with last year, and the investment of other departments will be basically the same as in last year. The arranged construction floor space will basically maintain the same level as last year's.

Local units should maintain a certain scale of their housing construction. This year, 2.2 million square meters should be completed. Of them, more than 100,000 square meters should be dormitories for primary and middle school teachers, 150,000 square meters should be housing used to implement the private housing policy, 100,000 square meters should be housing for retired army cadres, and 100,000 square meters should be housing for staff members and workers of grassroots commercial units which lack the ability to build houses. Proper arrangements have also been made for the housing of public security cadres and policemen. Arrangements have been made actively for the capital construction of procuratorial, judicial and public security departments, and social welfare undertakings.

To strictly control the investment scale and to readjust the investment structure, we must adopt practical and effective measures.

First, we should strictly control the newly started projects. Except for the handful of projects specially approved by the municipal government, no new projects will be allowed to start. In starting a new project, we must strictly go through the examination and approval formalities.

Second, we should strictly examine and investigate the funds raised privately. All units which use private funds to engage in capital construction should pay the same amount of construction tax and buy 15 percent of key enterprise bonds in advance.

Third, various designing units must make designs in strict accordance with the approved designing tasks. Those designs which expand their scale, improve their standards, and exceed the approved investment amount without authorization should not be included in the plan.

Fourth, we should introduce public bidding and contract responsibility systems, and bring competitive mechanism in capital construction projects, in order to economize on investment, reduce construction costs, and shorten the construction period.

Fifth, we should vigorously popularize the comprehensive construction projects.

H. We should strengthen the macroeconomic management and overall balance.

In carrying out the economic structural reform this year, we should carry out supporting reforms of the investment, supplies, labor, banking, and foreign trade systems, in the course of deepening the operational mechanism of enterprises. In the light of the practical situation of Beijing, we should formulate specific programs for carrying out these supporting reforms in order to ensure a smooth progress of various reform measures. We should strengthen the macroeconomic regulation capacity of the planning, financial, tax, banking, labor, auditing, industrial and commercial administrative, and other comprehensive economic departments, and voluntarily and expeditiously solve the problems emerging in economic operation to ensure a sound development of economic construction and social undertakings this year.

Financial departments should regard the deepening of reform as their motive force, and strive to relieve the contradictions between the supply and demand of funds by vigorously increasing revenue and reducing expenditure. We should tighten up finance, exercise control over

expenditure, practice economy, give guarantee to a number of projects, and impose restrictions on some other projects. We should gradually reduce financial subsidies, and strengthen the supervision on and management of financial work.

We should further strengthen the tax collection, and give play to the role of tax collection in regulating the national economy. We should vigorously organize tax revenue, perfect tax collection and the management system, and enforce tax regulations and disciplines in order to ensure that all taxes are paid in the full amount and on schedule.

We should maintain a credit balance and rational scale of credit. We should strive to expand deposit service, increase savings deposits, and continue to implement the credit policies of "readjusting structure, and giving different treatment to different cases," "allowing flexibility in the course of tightening up finance," and "giving support on a selective basis." We should issue loans in line with the controlled targets. We should further run well the banking market, and expand the circulation of money.

We should strengthen the balance, connection, organization, and supply of major goods and materials. The goods and materials distributed by the state should be mainly covered by the mandatory plan. Those commodities with short market supply and those materials needed by key construction projects and technological transformation projects should be raised through various channels and various forms. We should continue to develop and perfect the market of means of production in a planned manner, in order to enliven the circulation of goods and materials.

We should continue to exercise strict control over imports. We should make good arrangements for the distribution of foreign exchange used to import various goods and materials in line with the principle of guaranteeing key projects and giving consideration to nonkey projects. We should attach importance to ensuring the supply of raw materials and spare parts for repairs which are necessary to maintain production, and should appropriately increase the amount of foreign exchange used to develop the means of agricultural production. Those raw materials which can be supplied at home should not be imported.

Fellow deputies, this year's tasks on deepening reform and stabilizing the economy are extremely arduous. We firmly believe that under the correct leadership of the CPC Central Committee, the State Council, and the municipal party committee and government, and through the arduous struggle of the people throughout the municipality, we will certainly be able to overcome various kinds of difficulties in our road of advance, to fulfill various tasks covered by the 1988 plan for economic and social development, and to lay a solid foundation for prefulfilling the Seventh 5-Year Plan.

Li Changchun Delivers Liaoning Work Report

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["Government Work Report" delivered by Liaoning Provincial Governor Li Changchun at the first session of the Seventh Liaoning Provincial People's Congress on 20 January]

[Text] Fellow deputies:

On behalf of the provincial People's Government, I now submit a work report to the current session for examination and discussion.

I. Review of the Work in the Past 5 Years

During the 5 years from 1983 to 1987, under the correct leadership of the party Central Committee, the State Council, and the provincial party committee, the current government, together with the people throughout the province, followed the line defined since the 3d Plenary Session of the 11th party Central Committee, took the road of building socialism with Chinese characteristics, focused on economic construction, upheld the four cardinal principles, persisted in the policy of carrying out reform and opening to the outside world, further consolidated and developed the province's excellent situation, and basically accomplished the tasks on the government work examined and approved by various sessions of the sixth provincial People's Congress. During the past 5 years, we persistently implemented the general principle of "invigorating the domestic economy and opening up to the outside world," adopted a series of measures to facilitate reform and opening up and to promote the development of productive forces, constantly studied new situations and solved new problems emerging in economic development, conquered the successive serious natural calamities that have taken place in the past 2 years, successfully fulfilled the plan for economic and social development during the Sixth 5-Year Plan period, and made a good beginning for implementing the Seventh 5-Year Plan. Since the beginning of last year in particular, we concentrated our efforts on grasping two major events. In the political and ideological realm, we opposed bourgeois liberalization with a clear-cut stand, thus consolidating and developing the excellent situation of stability and unity. In the economic realm, we extensively and penetratingly conducted the campaign of increasing production and practicing economy and of increasing revenues and reducing expenditures, carried out economic structural reform, and vigorously developed the planned commodity economy. As a result, new progress was made in industry, agriculture, traffic and transport, capital construction, domestic and foreign trade, science and technology, and education; the national economy developed in a sustained, stable, and coordinated manner; and the building of material and spiritual civilizations was accelerated.

During the past 5 years, our province's economic structural reform was carried out comprehensively and was deepened constantly. During that time, a big stride was made in opening our province to the outside world, great achievements were scored in economic construction, rapid progress was made in various undertakings, and urban and rural people gained many benefits. It is estimated that in 1987 the province's GNP will amount to 65 billion yuan, a 9.5-percent increase over 1986, or a 63.2-percent increase over 1982. The total industrial and agricultural output value is estimated at 99 billion yuan, a 12-percent increase over 1986, or a 74.7-percent increase over 1982. The national income is estimated at 55 billion yuan, a 9-percent increase over 1986, or a 72.2-percent increase over 1982. Local financial revenues are expected to reach 10.58 billion yuan, a 7-percent increase over 1986, or a 38.7-percent increase over 1982. In addition, the economic strength was greatly enhanced, and gratifying and new changes took place on all fronts. Remarkable results were achieved in rural reform, and the long-standing "lame" situation in agriculture was improved somewhat. Total grain output in the past 5 years was 5 billion kg more than in the preceding 5 years. In 1987, despite the serious natural calamities, the total grain output still reached 12.76 billion kg, creating the third record level in history. Agriculture, forestry, animal husbandry, sideline occupations, and fishery developed rapidly. In 1987 the output value of town and township enterprises amounted to 24 billion yuan, far exceeding the total agricultural output value. Town and township enterprises have already become an important pillar of the rural economy. On the basis of universally implementing the household contracted management system, the extensive rural areas began to orient themselves towards intensive farming and integrating the urban and rural economies. At the same time, the commodity economy became more brisk and new progress was made in the large-scale farmland capital construction. In addition, our province made a relatively big stride in developing the eastern, western, and northern areas of the province and in supporting these areas to extricate themselves from poverty.

The urban economic structural reform was deepened, and the long-standing rigid economic management system was eliminated. Thanks to the efforts to actively explore new economic operational mechanisms that are compatible with the planned commodity economy, changes were taking place in the structure of a unitary public ownership and the collective and individual sectors of the economy were developing continuously. The planned economy characterized by mandatory planning began to transform into a planned commodity economy, and the government's management of the economy began to change from mainly administrative means to mainly economic and legal means supplemented with necessary administrative means. In particular, enterprise reform was continuously deepened and grew from experiments at pilot units to large-scale popularization and from delegating power to enterprises and allowing them

to share more profits to separating ownership from management power and improving enterprises' managerial mechanisms. The multiformed contracted management of large and medium-sized enterprises and the leased management of small enterprises were applied widely. New progress was made in the enterprise leadership system, and enterprises were notably invigorated.

Significant results were achieved in enterprise technical transformation, and new development was made in readjustments of the production setup and product mix. The funds used in technical transformation in the past 5 years totaled 23.48 billion yuan, or an average annual increase of 24.3 percent. A number of production lines and equipment which reached world advanced levels were imported, the major technology and equipment of one-third of the key enterprises reached or were close to the world advanced levels of the late 1970's and early 1980's, and an average of 1,700 new products were produced each year. In the past 5 years, 306 products won the state gold and silver medals, ranking second in the country; and our image of producing "clumsy, large, black, and rough" products was changed. The proportion of agriculture, light industry, and heavy industry was rationalized; and agriculture, light industry, and the tertiary industry witnessed great development.

The long period of having a closed and semi-closed economic pattern began to be eliminated, and fairly great strides were made in opening to the outside world. A group of coastal cities and harbors took shape, with Dalian as the center and Yingkou and Dandong as the two wings, and became the door opening Northeast China to the outside world. The Dalian economic development zone was established in its initial form, and a number of export-oriented enterprises were being built, some of which were completed and are already yielding returns. The spheres of international economic and technological cooperation were expanded continuously. In the past 5 years, the province earned \$5.74 billion in foreign exchange through export (excluding oil), the transactions of foreign capital utilization contracts totaled \$1.82 billion, and the transactions of technology import contracts totaled \$1.34 billion, increasing by 38.8, 1,200 and 1,800 percent, respectively, over the previous 5-year period. In 1987, in particular, the foreign exchange earned from the export of local products reached \$1.509 billion, 29.3 percent more than in the previous year. The opening to the outside world of the various cities and counties in Liaodong peninsula progressed greatly, which effectively facilitated our province's efforts to change its closed economy into an export-oriented one.

A number of key projects were started or would be started, which would greatly increase our strength for sustained economic development. The renovation and expansion projects of Anshan and Benxi Iron and Steel Companies were being carried out. When completed, they would raise our province's rolled steel production capacity to more than 10 million tons and help us

substitute some of imported rolled steel with our own. This indicated that the iron and steel industry of the old industrial bases would regain vigor. Large petrochemical projects—the Panjin and Fushun ethylene projects—were started one after another and the petroleum intensive processing and renovation projects, with catalysis and cracking as the focus, were under way. They would lead to a rapid development of a great number of petrochemical, light, and textile industries. This indicated that our province would make a fairly great step forward in its development of the petrochemical industry. New breakthroughs were achieved in the production capacity of the Liaohe oilfield, power construction was accelerated, and the coal industry developed in a stable manner in the process of readjustment. This indicated that our shortage of energy resources would be eased.

A success in the research and manufacturing of a number of major technology and equipment, and the continuous improvement in the ability to master and apply imported equipment indicated that our province's machinery industry would reach a new level. The Jinxi 520,000-ton urea project, which would directly serve agricultural production, was approved and registered; the renovation and expansion of the Dalian 300,000-ton synthetic ammonia and 240,000-ton ammonium phosphate projects were started; the harnessing of the trunk stream of Liao He, the renovation of low- and medium-yield farmland, and the first-phase construction of the Guanying Reservoir were stepped up; construction of the Shenyang regional meteorological center, one of the six largest meteorological centers of the country, was initiated; and the development of the Liao He delta would be soon started. This indicated that our province increased its strength for sustained agricultural development. The rapid construction of the Shenyang-Dalian first-class highway, the continuation of some key railway projects, the acceleration of the expansion of the Dalian Harbor, the completion and commission of the Yingkou's Bayuquan Harbor and Dandong's Dadong Harbor in the near future, the continued construction of the Jinzhou Harbor, the commission of the Zhoushuizi international airport in Dalian, the strenuous construction of Shenyang's Taoxian airport, the operation of most of the 250,000-line program-control telephone system, and country-level telephone automation indicated that our province's infrastructural facilities were notably strengthened. The ongoing development in high and new technology field, such as the robot demonstration project, the large-scale integrated circuit, sensitive component parts, and sensors, indicated that new scientific research bases were gradually taking shape in our province. The construction of the provincial physical culture and sports center, and library in the near future, the operation of the color television tower in the near future, and the completion of the provincial scientific and technological hall indicated that the standard of the people's cultural life of our province would also be greatly improved.

Urban and rural markets were thriving, and the people's living standards continued to improve. A shortage of

commodities and a strained market supply, which had existed for a long time, were notably alleviated. The 1987 volume of commodity retail sales came to 31.2 billion yuan, 1.1 times greater than in 1982. A great change took place in the masses' consumption pattern, with a universal increase in household durable consumer goods. The outlook of urban public facilities changed greatly, the strained situation in water and gas supplies and in communications and transportation was notably eased, the urban central heating system witnessed fairly rapid development, and the "numerous difficulties" in the people's lives were alleviated. In the past 5 years, 38 million square meters of housing were newly built for urban residents, and the urban per capita living space increased by 43.2 percent. In the same period, 1.36 million urban people were offered jobs, thus notably changing the difficulty in employment. The income of urban and rural people increased every year, and the annual growth of their savings deposits over the past 5 years was 36.3 percent.

An increase in the economic strength also provided material conditions for building the spiritual civilization; and social undertakings, in particular science and technology, and education, were greatly developed in the process of reform. An encouraging situation emerged in which science and technology served the needs of production and construction; people became more aware of the need to rely on scientific and technological progress in developing economic construction; and notable results were achieved in developing, popularizing, and applying scientific and technological findings. In the past 5 years, 10,485 scientific research achievements were scored, showing a 57.6-percent increase over the previous 5-year period. Some 152 of them won awards at and above the state level. The project of building 100 scientific and technological demonstration villages, 20 such townships, and 3 such counties throughout the province, and the "spark program" proceeded fairly rapidly; and science and technology began to affect thousands of families to become new productive forces. Investment in education totaled 5.9 billion yuan, the largest amount in any 5-year period, education conditions improved, and new development was achieved in education. By the end of 1987, the number of students at institutes of higher learning reached 113,000, again of 68.9 percent over 1982. medical and health conditions improved continuously. The number of sickbeds reached 172,000 in 1987, a 34-percent increase over 1982. Remarkable results were achieved in the prevention and treatment of endemic diseases, and the people's health improved. The work to eliminate urban environmental pollution was strengthened, and the environment of some areas improved.

Various family planning targets were achieved in a relatively good manner. Cultural undertakings flourished; literary and art creation became even more brisk; the exploitation and protection of cultural relics developed remarkably; and new progress was made in the radio, television, press, publishing, book, and archives

work. Meanwhile, mass sports activities developed greatly. At the major international competitions over the past 5 years, 27 athletes from the province won world championships, and 63 broke world or Asian records. At the same time, the province won third place in the group score and second place in the total number of gold medals at the sixth national sports event.

The education on ideals, morality, democracy, and the legal system was strengthened; and the peoples political life became increasingly brisk. Mass activities on building spiritual civilization were increasingly deepened; and the activity of building civilized units and the activities of the army and civilians joining hands in building civilized units and training personnel who are competent for both military and civilian services were conducted extensively. The channels linking the government with the people increased constantly, the people of all nationalities throughout the province closely united with one another, and the sense of citizen and the sense of laws were further enhanced among cadres and the masses. The provincial government and various city governments cleared up and abolished a number of outmoded rules and regulations which hampered the development of reform and opening up; formulated some local rules and regulations, which were submitted to the provincial People's Congress Standing Committee for examination; dealt stern blows to serious criminal offenses and economic crimes; reformed, reeducated, and rescued a number of criminal offenders; strengthened the comprehensive administration over public order; and safeguarded the smooth progress of reform, openness, and economic construction.

Along with the development of the commodity economy, many of the people's outmoded concepts underwent a big strike and their sense of reform and opening up was universally strengthened. The vast number of cadres and the masses further carried forward the spirit of making positive exploration, being brave in practice, seeking truth, dealing with concrete matters, and blazing new trails; constantly enhanced their consciousness in implementing the line followed since the 3d Plenary Session of the 11th party Central Committee; and were more confident about the cause of building socialism with Chinese characteristics.

The province scored new achievements in the fields of nationalities, civil administration, foreign affairs, Overseas Chinese affairs, tourism, religion, the peoples defense, and the militia and made great contributions to building the two civilizations.

Reviewing the work in the past 5 years, we can see that we have not only scored remarkable achievements in the political and economic fields, but have also explored, through reform and construction, a new way to invigorate Liaoning's economy and call forth the vigor of the old industrial bases. This new way is: Accelerate the pace of "reform, openness, renovation, and development" in line with the orientation guided by the 3d Plenary

Session of the 11th party Central Committee, proceeding from the province's practical situation, and focusing on economic construction; and mobilize the people of all nationalities throughout the province to "work hard for the prosperity of Liaoning, serve the whole country, and march toward the world."

The various achievements scored by our province in the past 5 years were credited to the conscientious implementation of the line, principles, and policies defined since the 3d Plenary Session of the 11th party Central Committee under the correct leadership of the party Central Committee, the State Council, and the provincial party committee. They resulted from the unity and arduous struggle of the people of all nationalities throughout the province; were inseparable from the legal supervision exercised by the provincial People's Congress and from the democratic supervision and great supports of the provincial CPPCC Committee, the various democratic parties and people's groups, and the patriotic personages on all circles; and were inseparable from the close coordination of the central units stationed in Liaoning. In particular, the PLA units stationed in Liaoning made outstanding contributions and rendered meritorious service in supporting the localities to carry out reform, in participating in various production projects, in supporting the localities to combat floods and do rescue work, in sending relief to disaster areas, in helping poverty-stricken areas to extricate themselves from poverty, and in building the spiritual civilization. On behalf of the provincial government, I hereby express my heartfelt thanks and sincere respects to workers, peasants, intellectuals, cadres, and patriotic figures who have worked hard on various fronts and to the vast number of commanders and fighters of the PLA units stationed in Liaoning!

When reviewing the work of this government, we felt deeply that there were still many difficulties and problems in the process of replacing the old systems with the new, and of reform and construction, and that there were still many shortcomings and even mistakes in the work of the provincial government. Now, I will first speak on the problems in market supply and prices, about which the masses are most concerned. The country's commodity retail price index rose by a rather large margin in the past 2 years, a wide scope of commodities had their prices raised, and the supply of some commodities was strained. These problems also existed in our province, and in some cases were even more conspicuous. There were many reasons for this. Reform of the price system led to an increase in the commodity price index. This was unavoidable. In the past, because of our long neglect of commodity production, the law of value, and the regulatory role of the market, many defects appeared in our price system as a whole. Irrational price structure; the rather low price of energy resources, raw materials, and farm and sideline products; and the rather low charges of some trades of the tertiary industry led to a contradiction between the social investment pattern and the general social demand, an ever-decreasing supply of

undersupplied goods, and an ever-increasing supply of oversupplied goods. Prices that were incompatible with product quality were detrimental to the enterprises' efforts to rely on technological progress in developing production. Prices which could not reflect value, and the relationship between supply and demand made the production of some products dwindle and maintained a low level of rationed supply. This seriously hindered the development of productive forces. Therefore, it was totally necessary to reform the price system. Beginning in 1985, the state carried out reforms of the price system and the price management system in a planned manner. It readjusted and deregulated the price of a number of products and raised the price of farm and sideline products substantially, thus facilitating agricultural development. It raised the price of basic industrial raw materials and energy products and readjusted the price ratios between primary industrial products and processed products, thus alleviating the contradiction between the raw materials industry and the processing industry. Fairly flexible policies were applied to the prices of daily consumer goods, thus promoting the production of readily marketable products. The charges in the transportation, public utilities, and service trades were readjusted to expedite the development of the tertiary industry. Meanwhile, the state delegated to lower levels the power to control some prices; deregulated the prices of a number of goods; and adopted a multiformed price system composed of state fixed prices, state guidance prices, and market regulatory prices. This played a positive role in accelerating the readjustments of the production setup and product mix, enlivening production, invigorating circulation, and facilitating the development of the commodity economy and was proved to be correct by the excellent situation of a sustained, stable, and coordinated economy. In the future, we will continue the price reform resolutely and successfully in line with state arrangements.

In the meantime, we should also note that the outstripping of the general social demand over the general social supply led to a rather large-scale increase in the price index, about which the masses had many complaints. In addition, the economic structural reform is a process of gradual advancement. Because reform measures were not coordinated and the price system not balanced, the production of some products had declining economic returns and the contradiction between supply and demand was aggravated. The long period of small-scale production of farm and sideline products made the contradiction between the production of farm and sideline products and the great social demand become increasingly conspicuous, resulting in a shortage of some products and driving up prices. These were new situations and new problems that emerged in the process of replacing the old systems with the new. We should make explorations in the course of reform and resolve them step by step.

Examining the work of our government, we lacked an adequate understanding and timely study of the aforementioned new situations and new problems, our work

with regard to market and price control was weak, and we failed to control well the prices that we should have controlled well, hence the emergence of the phenomenon of arbitrary price hikes. We were ineffective in investigating, handling, and dealing blows to such acts as dominating the market through cheating, speculation, and profiteering; jacking up prices at random; giving short measures; and selling fake products. We lacked adequate study and even neglected the tendencies that embezzled consumers and caused an increase in the price index and that might probably appear in the contracted and leased management of some commercial enterprises. The establishment and management of trade fairs were very incompatible with the ever-increasing needs of the urban and rural commodity economies, and control over a large amount of unlicensed business and illegal trade was a failure. All this helped to raise the general price level.

Governments at all levels in the province have adopted a series of measures and made great efforts to improve market supply and stabilize commodity prices with the purpose of preventing the people's living standards from being lowered because of the higher price index. They have done this also to make the people's living standards improve along with the development of production. Since the beginning of last year, the provincial government has promulgated in succession some documents and circulars on market and price stabilization, sponsored several conferences on the work of hog production and fresh-water fishery, and studied how to rapidly build foodstuff production bases with a relatively high degree of intensive management in large and medium-sized cities and how to solve the contradictions between small producers and the large socialist market. It has also implemented the "six priorities" principle to vigorously organize the production and supply of commodities which were in short market supply. There was a 23.4-percent increase over the previous year in the price subsidies released from local financial resources to urban dwellers. The provincial government has begun to establish a system for storage of major commodities in order to keep prices stable. It has introduced necessary policies for price ceilings for the means of production and reduced the intermediate links in the circulation of the means of production. It has begun to implement the State Council's method on managing prices of those important agricultural and sideline products which have a bearing on the national economy and the people's livelihood and the prices of the means of production. It has also conducted general inspections on market prices on many occasions, established a mass price supervision network, and seriously investigated and dealt with a number of law violations. All these practices have played a positive role in stabilizing markets and prices. Since last June, the province's place in price hikes in the country has declined gradually. At the same time, over the past few years, the state has adopted many measures to increase the income of the urban and rural people. These measures are: readjusting the wages of workers and staff members, raising the minimum taxable level of

bonus taxes, readjusting the purchase price of agricultural and sideline products, increasing various kinds of living allowances, popularizing the contracted and leasing management, and reforming the distribution system. Thanks to these measures, the people's living standards have improved constantly despite the rise in the price index. During the past 5 years, the income of the province's urban dwellers rose by 88.9 percent. Deducting the 37.8-percent rise in the cost of living index, their real income increased by 37.1 percent, or an average annual increase of 6.3 percent. The peasants' living standards also improved remarkably. Since the 3d Plenary Session of the 11th party Central Committee, rural per capita income has increased at an average annual rate of 10.5 percent after deducting the factor of price rises. However, it is true that the living standards of a small number of workers, staff members, and residents have dropped as a result of price hikes. This has already attracted the attention of governments at all levels.

In view of the problems reflected from the current markets and price management methods, we can deeply understand that the government has made insufficient preparations for developing the planned commodity economy in the fields of theory, ideology, and practical work and has conducted insufficient studies for how to successfully link planning with markets and integrate price control with price decontrol under the situation in which the supply of vital commodities fell short of demand. Allowing some commodities to be sold at market-adjusted prices is an objective demand for developing the commodity economy and is necessary in this regard. However, the government has lacked a scientific forecast of what new situations will emerge after price are decontrolled and has lagged behind in strengthening market and price management under new situation. Although industrial, commercial, tax, and pricing departments have done much work, their ranks of cadres have been inefficient, and their personnel quality needs further improvement. We have failed to quickly adopt effective countermeasures to problems. This shows that we lack experience in managing the planned commodity economy. This once again tells us that market and commodity price are an extremely complicated economic issue. Restricted by the major contradictions at the initial stage of socialism, it is impossible for us to solve the problems with regard to market and price in a short period of time. We should redouble our efforts to constantly strengthen the control over market and price in the course of deepening reform. In particular, we should make continued efforts to raise the level of social productive forces with a view to gradually relieving the contradictions between supply and demand.

Reviewing the work of this term of government, we deeply felt that our province's economic development lagged far behind some advanced provinces and cities. The prominent manifestations were that our ideology was not adequately emancipated and our commodity economic concept was not strong enough as compared with people of other localities. Although we did much to

intensify the ideology of reform and opening up among the broad masses of cadres, we were still shackled by ossified thinking and outdated systems and these remained the major obstacles preventing our province from invigorating economy. We failed to realistically foster the concept of taking productive forces as the fundamental criterion to observe, analyze, and solve all problems in our social economic life and judge whether we were ideologically emancipated. We also failed to effectively grasp the work of creating a good environment for the commodity economy. Our results in this field were not noticeable. The phenomenon of creating difficulties for ourselves often emerged. Comrades at the grassroots levels have a lot of complaints about this. These problems should be fundamentally solved through our resolute and unremitting efforts.

We still had many weak links in our economic work and our agricultural foundation was comparatively weak in particular. We also failed to adopt effective measures to help strengthen leadership over agriculture, deepen rural reform, strengthen agricultural vitality and raise agricultural production to a new level. We failed to conduct an adequate scientific analysis and forecast of the destabilizing factors in grain and hog production, and to fully estimate the situation in which peasants were vying with each other in applying chemical fertilizer to their land after their enthusiasm in grain cultivation was boosted. For a time, the contradictions between the supply and demands of chemical fertilizers were fairly acute. In addition, our province had exercised too-meticulous and over-rigid control over the policy of linking purchases of grain by contracts with the supply of low-price chemical fertilizers and diesel oil and the payment of purchase deposits. The procedures were rather complicated. Some localities implemented this policy among peasant households very late and some even engaged in the unhealthy trends of retaining and appropriating chemical fertilizers or reselling them at a high profit. We failed to discover these problems early and handle them resolutely. The province's enterprise economic results were not good enough. Despite a decline in the amount of deficits from the previous year, the situation of suffering from deficits still remained unchanged for a long time among some enterprises. Losses and waste were serious and the material consumption of many enterprises rose. These reflected the situation that for a long time, some enterprises had relied on low-price raw materials and energy to achieve fairly good economic results under the product economic pattern and that when these conditions changed, they could not cope with the situation of the commodity economy. This set forth arduous tasks for our government and urged it to accelerate the pace of enterprise reform, raise its abilities to cope with the changes, and compete with others.

The work of government organs fell far behind the demands of reform, opening up and national development. They failed to firmly foster a concept of serving the grassroots levels and the masses. They were over-staffed, with more hands than needed. Their work efficiency was low, their bureaucratic workstyle remained

unchanged, and their self-cultivation tasks remained arduous. During this year, we should adopt effective measures to raise the government work to a new level.

II. The Strategic Guidelines for the Next 5 Years of Economic Development and the Major Tasks for 1988

The next 5 years will be an important period for our province to take the second step successfully in line with the three strategic measures for economic construction defined at the 13th party congress. At present, the situation lying ahead of us is gratifying and rigorous. The comprehensive development of domestic reform and the acceleration of opening up have helped to speed up economic development in some comparatively economically-developed southern provinces and cities. The world-wide major readjustment of production set-up, the reorganization of international divisions of labor, and the rising tide of the new technological revolution will make us face not only the challenge of new international economic trends but will also provide us favorable opportunities for conducting extensive international economic and technological cooperation.

We should seize the opportunity, meet the new challenges with a new attitude, and arouse our spirit and achieve development in the course of competition. Through more than three decades of hard work, our province has been built into a heavy industrial base with the raw materials industry—such as the iron and steel, petrochemical, and building materials industries—and the machinery industry as the mainstay and with a great number of large and medium-sized enterprises as the backbone force. Our province has also established a city group with Shenyang as the center in the central part of the province and a coastal city and harbor group with Dalian as the center. This, plus our vast countryside with abundant resources and fairly good natural conditions, has enabled Liaoning to become an area with a fairly developed economy and make contributions to the four modernizations of the country. Although the masses of cadres and people have the strong desire to make progress with all-out efforts and to make the old industrial base regain its vigor, we have been seriously fettered by the influence of "leftist" ossified ideas and traditional concepts for many years; and the concept of a commodity economy and sense of reform and opening up of the people, in particular some leading comrades, are not strong enough. This has made the growth rate of our commodity economy lag notably behind the advanced provinces and municipalities in the southern part of the country. Our province's industrial foundation is substantial, and its level of industrialization is high; but it produces many primary products, has poor foreign exchange earning capacity, and lacks a competitive edge. Our province turns over a great amount of revenue to the state, but its enterprises share only a small amount of profits and lack the ability to increase the value of their products. The province's local financial resources are also very strained. Our province has abundant natural resources and strong technological force, but has not

turned them into a strong advantage in commodities. According to this basic situation of the province, and in line with the requirements of the economic development strategy put forward at the 13th party congress, it is suggested that the next government define the basic guiding ideology for the province's economic development strategy for the next 5 years as follows: to adhere to the party's basic line in the initial stage of socialism; to further achieve success in the rational organization of the production setup and the major factors of production with reform as an important motive force, with opening up as a necessary condition, with science and technology and education as the precursor, with agriculture as the foundation, and with the improvement of economic results as the focus; to strive to effect a change from the old economic system to the new, from extensive management to intensive management, and from the semi-closed situation to opening on every side; and to lay a solid foundation for building Liaoning into a civilized and prosperous area with developed heavy industry, with coordinated agricultural, light industrial, and heavy industrial development, with a thriving economy, and with advanced science and technology.

Based on this basic guiding ideology, we should implement a series of changes in our strategic ideas. That is, we should greatly develop agriculture and the tertiary industry while continuing to develop the advantages of the secondary industry. We should greatly develop the urban and rural collective economy, township enterprises in particular, and actively encourage the development of the individual and private sectors of the economy while continuing to develop the state sector of the economy and giving full play to the advantages of large and medium-sized key enterprises. We should greatly develop light, textile, and electronic industries and actively support agriculture-oriented industries while continuing to develop the advantages of heavy industry. We should accelerate the development of burgeoning industries while continuing to arm traditional industries with advanced technology and giving play to their advantages. We should greatly develop intensive and precision processing and raise the technology content of products while continuing to develop our advantages in traditional products, so that the province's economy will be gradually oriented to a healthy track of "attaching importance to economic results, improving quality, and achieving a coordinated development and a stable growth."

Our fighting goals are to increase our province's industrial and agricultural output value to more than 145.5 billion yuan by the year 1992 through 5 years of unremitting efforts, showing an increase of 46.5 billion yuan over 1987 and an average annual growth of 8 percent; to basically establish a multi-layered pattern of opening to the outside world and increase the volume of foreign exchange earned from exports to \$3 billion by the year 1992, doubling the 1987 volume and registering an average annual growth of 15 percent; to make modern science and technology and modern management

become the major pillar for revitalizing Liaoning's economy, to rationalize the structures of knowledge and disciplines, and to initially establish a system for training fairly high-quality personnel; to substantially improve the conditions for agricultural production, achieve a notable development in intensive farming in the various categories of areas throughout the province, increase the grain output to 15 billion kg by the year 1992, for an average annual growth of approximately 3 percent, and push the commodity production of entire rural areas to a new stage; to make the major technology, equipment, production methods, and leading products of key large and medium-sized enterprises, which play a leading role in our province's economy, reach or approach advanced world levels of the late 1970's and early 1980's; to achieve a fairly great development of the energy industry, particularly in the power industry, which has restricted the economic development of our province for a long time, and notably alleviate the contradiction between supply and demand; and to further accelerate construction of urban infrastructural facilities, put a great number of key construction and technical transformation projects into operation, and greatly increase our economic strength. The people's living standards will be further improved. By the year 1992, the living space of urban residents will reach more than 6 square meters per capita, initial bases to produce nonstaple foods in large and medium-sized cities whose intensive production level is fairly high will be established, the major consumer goods which are closely related to the people's lives will be greatly increased, and urban and rural markets will become more flourishing.

To realize the fighting goals, we should resolutely place science, technology, and education in the first place and rely on scientific and technological progress to revitalize Liaoning's economy. We should conscientiously readjust the production setup, accelerate technical transformation, raise the level of modern management, and give further play to the role of old industrial bases. We should strengthen agriculture—the foundation of the national economy—strive to improve the basic conditions for agricultural production, and make rural productive forces develop more rapidly on a new technological foundation. We should open up Liaodong peninsula more rapidly to facilitate the development and construction of north, east and west Liaoning. And we should make the best use of the various advantages of our province to greatly develop the town and township collective economy and should gradually establish an economic pattern under which large and medium-sized enterprises are the backbone, urban collective enterprises and township enterprises are the two wings, the efforts of urban and rural areas and of army-men and civilians are mustered, high-, medium-, and low-technology coexist, and the urban and rural economies are integrated so that the province's economy can develop in a sustained, stable, and coordinated manner.

This year is one for thoroughly implementing the guidelines of the 13th party congress and for accelerating and deepening reform. It is the third year of the Seventh

5-Year Plan period and a year to mark the 40th anniversary of the liberation of all of Liaoning. Following the guidelines of the directives of the party Central Committee and the State Council, in the new year we should conscientiously implement the principle of "further stabilizing the economy and further deepening reform"; work out the overall plan with our view set on reform under the conditions that finance, credit, and investment are tightened up; continue to accelerate and deepen reform; carry out comprehensive opening up; actively facilitate scientific and technological progress; launch the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures more extensively and thoroughly; achieve development while maintaining stability; enliven the economy while tightening up finance; expand production; improve supply; greatly improve the socialist democratic politics and build the spiritual civilization; and usher in the 40th anniversary of the liberation of Liaoning with outstanding achievements.

A. We should deepen the urban economic structural reform, strengthen the vitality of enterprises, and constantly improve economic efficiency.

We should closely integrate reform with construction and accelerate and deepen the economic structural reform by firmly and unswervingly following the general goal of developing the socialist commodity economy. In close combination with the central task of perfecting the enterprise management mechanism, we should continue to invigorate enterprises, particularly large and medium-sized enterprises; should positively carry out by stages reforms of the structures of investment, supplies, banks, and foreign trade; and should cultivate and develop the markets of major production elements. We should also vigorously promote lateral economic associations, promote the integration of the urban and rural economies, strengthen and perfect macroeconomic management, and promote economic development with reform.

We should deepen enterprise reform and institute various forms of the contracted management responsibility system. The contract system is a good form for state enterprises to correctly separate ownership and management and is an effective way to stimulate the enthusiasm of managers and producers. Large and medium-sized enterprises should rapidly institute the "one-contract and five-reforms" system. Those enterprises that have not yet implemented the contract system should implement it as quickly as possible and should contractually define the relations of duties, powers, and profits among enterprise managers, workers, and staff members and the state. Those enterprises that have already implemented the contract system should appropriately extend the contract period, with every contract being effective generally for 3 years or so; should pay attention to the stability and continuity of policies; should advocate the collective purchase of shares by other enterprises; and should establish new integrated enterprises having the nature of a shareholding system. Small enterprises

should continue to institute and try out the contract system, the leasing system, the shareholding system, the system of selling out enterprises after changing their ownership, and the bankruptcy law. All enterprises should accelerate the internal supporting reforms; should make a new breakthrough in the reform of distribution system, which is a difficult point; should uphold diverse distribution forms, with the system of distribution according to one's work as the dominant form, and should uphold correct distribution policies. Meanwhile, all enterprises should link the increase in the total volume of wages with economic efficiency, should change the fixed-wage system to a floating wage system, should positively institute the piece-work wage system and the work-quota wage system on the premise of exercising strict control over quality and work quotas, and should further overcome egalitarianism. We should allow flexibility for the fixed workers' system, universally carry out optimum organization of laborers, and organize surplus laborers to open up new production channels. We should reform enterprises' personnel system, implement the public recruitment system and the tenure responsibility system, streamline managerial organs, and gradually establish enterprise management organizations that truly suit the development of the commodity economy. We should further perfect the contracted responsibility system within enterprises, make smaller units on the basis of cost accounting, change centralized and unified management into graded and decentralized management, and strengthen the vitality of every cell of enterprises. Because reform of the enterprise leadership system is a fundamental reform, we must separate party and government functions beginning with the perfecting of the plant director responsibility system, in order to rationalize the relations among the party, the government, and the workers and to define the position of plant directors at their enterprises. Commercial enterprises should vigorously popularize various forms of the contracted management responsibility system which can fully manifest and give equal consideration to the benefits of managers, producers, and consumers. Commercial enterprises should also attend to the internal supporting reforms and should not shift their burden onto the consumers. In capital construction, we should change the old method of depending on administrative means to assign capital construction tasks, should comprehensively institute the open bidding system, and should carry out general contracts for projects and technologies. There will a serious shortage of funds and materials this year. We should enliven the money and materials markets, rapidly perfect the rolled steel market, and begin to establish a comprehensive market for the means of production. We should continue to develop and expand lateral economic associations and gradually establish new enterprise groups that suit the demands of specialized divisions and the scale of the economy.

Efforts should be made to integrate the drive to conduct reforms with the campaign to increase production and practice economy as well as of increase revenue and

curtail expenses. We should further mobilize the broad masses of staff members, workers, and the people to continuously, extensively, and deeply carry out the campaign with the major content of "tapping the production potential, upgrading the standard, combating waste, and increasing economic results." Various industries and trades should formulate a feasible fighting target and concrete measures to launch the campaign and should assign the target and measures to units at all levels and strive to have the units implement the target and measures without fail. A good job should be done to grasp industrial production; adopt ways and means to upgrade the quality of products and to lower the material consumption; and score a 1-percent decrease over the 1987 figure in cost calculated in term of comparable items, a 3-percent decrease over the fund circulation period of 1987, and a more than 8-percent increase over the 1987 figure in industrial output value, while upholding the prerequisite of increasing economic results.

Accelerating the pace of readjusting the structure of industries and products represents the major content of "increasing production and practicing economy as well as of increasing revenue and curtailing expenses." Efforts should be made to score an increase in products enjoying brisk sales and to reduce the losses and waste in line with the macroeconomic plan. All enterprises should fully exercise their right to self-determination given by the state and emphasize production and management on upgrading the competitive capability of products. By implementing the policy of giving preferential treatment, a good job should be done to emphatically grasp the production of 100 products in short supply. Departments concerned should further carry out a study to formulating a favorable policy to readjust the structure of production and products, fully bring into play the role of the economic levers and direct enterprises to successfully renew their products and strive to increase the variety of products to meet the changes of consumption structure.

Efforts should be made to integrate the drive to conduct reforms with the work of enhancing enterprise management to upgrade the standard of modernized management of enterprises. It is imperative to vigorously explore the new managerial issues cropping up among enterprises along with the deepening of reforms and to bring about a change to the extensive management as soon as possible. Efforts should be made to upgrade the standards of enterprises, realistically do a good job in grasping the basic work in various fields, consolidate the labor discipline, strictly enforce the regulations and rules, vigorously improve the labor conditions, and realistically and successfully realize production safety. We should continue to enforce the overall quality-control measure and establish or improve the system of carrying out quality control and supervision and survey over product quality. Large and medium-sized enterprises throughout the province should accelerate their pace of adopting the international standard or the international advanced standard in conducting their production. Efforts should be made to actively introduce or

enforce modern methods of management, vigorously enforce the full workload method, fully tap the potential of enterprises, strive to have less investment and to turn out more products, and enhance the enterprises' capability of assimilating imported technology to increase economic results.

At present, our province is in the peak period of technical renovations set forth by the Seventh 5-Year Plan. Therefore, efforts should be made to closely integrate the drive to conduct reforms with technical renovations and to accelerate the pace of technical renovations. We should also improve the system of investing money in technical renovations, enabling enterprises to change their fund dependence from loans offered by their higher authorities to funds raised by various social circles, and should have the enterprises gradually become main institutions which are responsible for investment in technical renovations. Efforts should be made to continuously improve the economic responsibility system in technical renovations, put technical renovations tasks into the content of contracts, and regard the results scored in technical renovations as an important basis to test the performance of contractors subject to supervision through auditing at the expiration of their term. We should bring into full play the role of introducing outside technologies, upgrade the standard of domestic-made products, and pave a road of integrating technological introduction with the self development of technologies. In conducting technical renovations, we should uphold the high standard and starting point, have the renovations applicable, and exert practical effects. A good job should be done in firmly carrying out the construction of key projects which have a vital bearing on the reserve strength of the province's economy.

The undertakings of communications, transportation, post, and telecommunications should meet the need of production development and vigorously render services to the national economy and social development.

B. We should deepen the rural reform, increase the capacity for sustained agricultural development, and ensure comprehensive economic growth in the rural areas.

The major task for the province's rural economic work this year is to develop the rural commodity economy along the new road of integrated urban and rural economies, intensive farming, and serialized service; deepen the rural economic reform; exert great efforts to do a good job in grain production; vigorously expand diverse undertakings; and maintain basic stability in urban and rural markets. The provincial agricultural output value is planned to grow by 10 percent, and we should strive to increase grain output to 14.5 billion kg according to state arrangements. We should shift the large-scale decline of the production of such cash crops as cotton and oil-bearing crops; further raise the production level of such major nonstaple foods as meat, aquatic products, fresh eggs, and vegetables; maintain a fairly high growth rate

in the development of township enterprises; and achieve a sustained and stable development of forestry, animal husbandry, sideline production, and fisheries.

We should further enhance the collective economic strength at the village level and apply both the centralized and the decentralized management systems in the rural areas as soon as possible. We should continue to consolidate and develop the household output-related contract responsibility system. In line with the principle of combining centralized and decentralized management and applying one or the other to suit local conditions, we should conscientiously handle the relationship between centralized service and decentralized management and help every peasant household resolve their difficulties and problems. Meanwhile, we should strengthen the rural socialized service system; accelerate the reforms of service organizations; and render multilayered, multi-formed, and multichannel service.

We should actively lead and support peasants to develop large-scale production and intensive management in line with specific local natural characteristics and resources and should continuously improve economic results. Economically developed areas and the suburbs of large and medium-sized cities should actively study and explore the principles and policies concerning compensated land transfer and the development of large-scale production and intensive management; take the lead in carrying out cooperation and establishing ties between state or collective units and the peasants; and build a number grain, livestock and poultry, vegetable, and fresh-water fish production bases having fairly high levels of intensive management.

We should arouse the initiative of various quarters in increasing the input into agriculture and establish as soon as possible the special agricultural fund at the provincial, city, county, township, and village levels and agricultural investment companies at and above the county level to support agricultural production and developmental construction. We should adopt all possible means to encourage peasants to increase their input into agriculture; include their input into land as an important aspect of their contracts; and organize them to accumulate more farm manure, to apply more green manure and compost made of stalks, to cultivate land fertility, and to avoid the farming method that uses up land fertility through political mobilization, administrative intervention, and implementation of measures. All levels should adopt necessary economic means to gradually adjust well the relations between the various trades in the rural areas in terms of interests and increase input into agriculture through such methods as developing agriculture by expanding industries and sideline production.

We should attach strategic importance to grain production, expedite construction of grain bases and agricultural technical transformation, strive to raise per-unit yields, and ensure a stable growth in grain production.

We should use all possible means to increase the production of chemical fertilizer, plastic sheets, pesticides, diesel oil, and farm machines; actively develop the resources within and outside the province in order to improve the supply of the means of production for farm use; and strictly check arbitrary price hikes to further arouse peasants' initiative in grain production. We should continue to implement successfully the policy of linking the supply of chemical fertilizer, diesel oil, and advance payment with grain purchasing contracts; begin by simplifying procedures to assign responsibility and delegate power to counties; resolutely check the unhealthy trends of exacting and misusing materials to be supplied according to purchasing contracts; and ensure that peasant households truly benefit from the policy. Meanwhile, we should educate and lead peasants to exert efforts to fulfill the state-assigned farm and sideline product purchasing tasks, make good preparations for spring farming, and lay a solid foundation for a bumper harvest this year.

We should continue to readjust the rural production structure and vigorously develop diversified occupations. We should conscientiously implement the guidelines of the provincial conferences on hog production and fresh-water fishery and the various policies on rural work and should make good arrangements for the production of meat, eggs, poultry, milk, fish, vegetables, and other non-staple food. We should give full play to the exemplary role of state-run farms, tree farms, pastures, and fishing grounds and their role as bases of agricultural production and as technological centers. Through strengthening ideological and political work and providing market information and scientific and technological knowledge, we should educate and guide the peasants to develop the production of oil-bearing seeds, cotton, beets, and other cash crops, as well as top-brand and quality special products in line with their specific conditions.

We should again understand the important role of the newly emerged town and township enterprises in accelerating the opening of Liaodong peninsula to the outside world and in comprehensively invigorating Liaoning's economy. Town and township enterprises, which have built themselves up by relying on markets, are a new vivid force having a minimum influence from the old mode and having a strong ability to suit the demands and changes of the commodity market; they are an important pillar in helping rural areas to transit from their self-supporting and semiself-supporting economy to the commodity economy and to transit from their traditional agriculture to modernized agriculture; and they are a bridge to promote the integration of the urban and rural economies. The rise of town and township enterprises provides valuable experience for us in making the urban and rural economy break with the old mode and establish a new mode. Therefore, we must use new ideas and viewpoints to again understand town and township enterprises and should strengthen leadership over them. We should pay equal attention to developing

and improving town and township enterprises and make full use of our province's favorable conditions to provide still more supports and services to them. We should remove barriers between different localities and organize extensive lateral associations in order to gradually solve the "inherent shortages" of town and township enterprises, such as having outmoded equipment, backward technology, shortage of competent personnel, and backward managerial expertise. We should accelerate the building of the infrastructure of market towns in a bid to create conditions for the development of town and township industry and commerce. Coastal areas and economically developed areas should develop town and township enterprises beginning from a high level. We should keep informed on the demand of the international market, vigorously develop products for export, and enable still more town and township enterprises to join the international economic cycle.

We should further improve the conditions for agricultural production. By continuously carrying forward the spirit of self-reliance and arduous struggle, we should deeply launch the "Dayu Cup" emulation drive for farmland capital construction, with the focus on attaining the goal of building bases of stable- and high-yield commodities. We should continue to dredge the trunk streams of the Liao He and other large, medium, and small rivers and should renovate medium- and low-yield farmland. We should unfailingly grasp such agricultural ecological construction projects as transforming mountains, taming rivers, planting trees, building forests, and conserving water and soil. In particular, we should mobilize all forces in society to conduct the voluntary activity during tree-planting week and strengthen the management and protection of forest resources. We should strive to improve the prospecting and forecast of serious disastrous weather in order to constantly strengthen our capacity to resist natural disasters.

We should vigorously popularize and apply advanced and applicable agricultural technologies and constantly raise the level of agricultural mechanization and modernization. We should strengthen land management, strictly prevent requisition and occupation of cultivated land for other uses, strive to use land economically, and pay attention to reclaiming and restoring the fertility of discarded land so as to raise the utilization rate of land. We should use the great achievements scored in the general investigation and division of the natural agricultural resources in order to guide agricultural production and construction so that we can rapidly transform these achievements into productive forces.

We should continue to strengthen the work of supporting the poverty-stricken areas, conscientiously implement various policies and measures on supporting the poor, and make good arrangements for the production and livelihood of the masses at disaster sites and poor areas. We should also accelerate the development and construction of the eastern, western, and northern areas of the province in order to promote the coordinated development of the provincial rural economy.

Governments at all levels should fully understand agriculture's position in the national economy; further enhance the sense of emergency in bringing about a change in the shortage of reserve strength in agriculture and in stabilizing the production of farm and sideline products, such as grain and hogs; and realistically strengthen the leadership over agriculture to ensure the overall development of the rural economy.

C. We should invigorate markets, stabilize commodity prices, and arrange well for the people's livelihood in both urban and rural areas.

Maintaining the basic stability of markets and commodity prices has a direct bearing on economic stability and social peace. Efforts should be made to enhance propaganda and educational work on price reforms; vigorously concentrate on developing production, enlivening commodity circulation, guiding consumption, and enhancing the management of markets and commodity prices by proceeding from accelerating or deepening reforms; and adopt ways and means to arrange well for the people's livelihood in both urban and rural areas.

Efforts should be made to improve the market supply. To this end, we should vigorously develop the production of daily industrial consumer goods that are in short supply and great demand and of important farm and sideline products, should fix reasonable proportions of products in short supply for export and sales within and outside the province, and should use these products as much as possible to stabilize provincial markets. A good job should be done in making reasonable arrangements for vegetable production, realistically implementing the principle of regarding the stabilization of vegetable farmland acreage as mandatory planning, ensuring the sufficient acreage of vegetable farmland, enhancing the building of preparatory farmland for vegetable production, and actively developing the vegetable production in plastic sheds. Efforts should be made to further enhance the macromanagement and macroguidance over the production of key farm and sideline products and to successfully implement in a flexible way the state policies on subsidies for raising hogs and poultry and for producing eggs. In order to basically bring about a change in the unstable situation in the production of major nonstaple foodstuffs, large and medium-sized cities throughout the province should build in a planned manner a large number of production bases which are chiefly run by collectives and specialized households, which have a higher standard of intensive farming, and which are in charge of nonstaple foodstuff production such as hogs, poultry, fish, mork, eggs, and vegetables. They should also gradually bring about a change in the state of affairs in which the supply of petty production is given to the demand of large-scale markets. The large and medium-sized enterprises, organs, and institution of higher education having the right conditions may join in the building of production bases through establishing lateral associations or by adopting the measures of sharing products or profits. Efforts should be made to earnestly

summarize and popularize the experience gained by county-level units in conducting comprehensive reforms of the economic systems in order to promote agricultural production and make use of industrial profits to build up agriculture, as well as the experience gained by large and medium-sized cities in building nonstaple foodstuff bases with intensive farming so as to promote the development of nonstaple foodstuff production.

Efforts should be made to deepen reforms in the circulation system and to further unlog circulation channels. We should continuously develop circulation networks which have state-run firms as the guiding bodies and which have multiple component parts, multiple channels, fewer links, and an open style. Efforts should be made to develop various kinds of transregional and transdepartmental lateral associations so as to gradually establish a new relationship among production, supply, and sales in which cities are regarded as centers and in which both urban and rural areas open to each other, mutually enjoy the benefits and interests, and mutually run risks. We should bring into full play the enthusiasm of commercial firms run by the state, collectives, and households in vigorously expanding commodity sources in order to enliven the large commodity cycle within or outside the province. Large and medium-sized cities should continuously develop a large number of wholesale markets for farm and sideline products, make efforts to reduce intermediate links, and deal with the problem of price hikes at every level. Efforts should be made to continuously conduct reforms in the exchanging style and to use funds for supporting agricultural production to purchase farm and sideline products that are in short supply not use fixed-price fodder, fodder land, and the means of production to exchange these products so that state-run commercial units will be able to have more sources of goods and fully play their guiding role in stabilizing markets and controlling prices.

We should carry out the principle of "maintaining basic stability in commodity prices while stabilizing the economy and deepening reform"; adopt comprehensive measures to develop production, improve supply, and strengthen management; and keep the growth rate of retail prices within the level of 1987. We should continue to apply the responsibility system to commodity price control. The state-stipulated retail price control quotas should be included in the major targets of the provincial economic development, and overall arrangements should be worked out for them. Administrative leaders of the governments at various levels and of relevant departments should assume responsibility for the quotas and assign them to every grassroots level. We should properly handle the relations between controlling and stabilizing prices on the one hand and bringing prices into better balance on the other. The measures for economic development and reform adopted by the governments at various levels should be conducive to stabilizing prices. Governments should include prices that may rise with price control quotas and carry out repeated comprehensive balancing and all kinds of calculation.

With regard to the commodities whose prices should be readjusted, the governments should examine and approve in strict accordance with their commodity price control power and should never allow arbitrary or disguised price hikes. They should master the necessary economic means to control and regulate market prices. Large and medium-sized cities should continue price subsidies for pork and vegetables, and the subsidies should be used properly. No circulation link is permitted to withhold or misuse them. We should strengthen the management, inspection, and supervision of prices; conscientiously implement the guidelines of the "State Council circular on resolutely checking price hikes and rush-purchasing of farm and sideline products"; and strictly carry out the method of classified management of the state fixed prices, the state guidance prices, and the market-regulating prices of farm and sideline products. The contracted purchasing system should be applied to everyday consumer goods which have a bearing on the national economy and the people's livelihood, industrial raw materials, export materials, and materials whose resources are subject to protection; and their prices should be strictly fixed by the state. People can sell commodities having state fixed prices and market-regulated prices, such as grain and oil, at prices within any price ceilings and at prices in line with market demand and price changes, if there are no price ceilings for them after they fulfill the state contracted purchasing tasks. With regard to the farm and sideline products with state guidance prices, such as hogs and major vegetables, we should improve the contract system and earnestly abide by the stipulated purchasing and marketing prices and the various price differences. The prices for farm and sideline products having market-regulated prices are fixed by both the buyers and the sellers through negotiation, and price departments are allowed to fix price ceilings for these products within a certain period if some of the prices soar. The purchasing prices of export commodities should be strictly fixed by the state, and the personnel concerned should be held accountable for such acts as rush-purchasing at the prices higher than the price ceiling. Price departments, industrial and commercial administrative departments, and departments in charge of price work should strengthen supervision and inspection of prices, with the focus on strictly controlling the prices of state commercial units, and should sternly investigate and handle price hikes and rush-purchasing to disrupt the market. Service charges and the prices of commodities having a direct bearing on the people's lives should be made public at regular intervals, and commercial units should clearly mark the prices of their goods so that the masses can exercise supervision. We should give full play to the role of urban residents' committees, consumers' associations, people's deputies, and the masses in supervising market prices. Strict economic sanctions should be given to units or individuals who take advantage of scarce goods to engage in back-door deals in violation of the market management regulation and the price policy. Unlicensed peddlers and unregistered companies and trade warehouses of various types should be resolutely banned; and the acts of

dominating the market through cheating, speculation and profiteering, jacking up prices at random, mass plunder of the commodities of the owners of cargo, and production and marketing of fake and shoddy goods, as well as the unlawful elements who provoke and beat up industrial and commercial administrative, pricing, and tax personnel should be strictly dealt with. We should strengthen the work to improve the personnel in charge of implementing market and price regulations; resolutely investigate and handle those who abuse power to "eat up, take, withhold, and ask for" goods and who bend the law for the benefit of relatives or friends; punish those whose cases are serious according to administrative acts; and even pursue their legal liability. Units and individuals who perform their duty honestly should be commended and rewarded.

We should actually make good arrangements for the livelihood of urban and rural people; persist in the principle of letting state departments, collectives, and individuals join hands in developing the tertiary industry; and satisfactorily solve the "several problems" with regard to the people's livelihood. We should further strengthen the construction of public utilities; improve public traffic facilities; and increase the supply of water, gas, and centralized heating in winter. All localities should strive to successfully build and develop residences for the people, accelerate the housing system reform and the commercialization of houses, and vigorously develop the building industry in order to gradually relieve housing shortages among urban dwellers. We should continue to perfect the environment laws, strengthen the building of environmental sanitation and afforestation, improve ecological environment, and attach importance to preventing and controlling gas and water pollution. We should regulate wages to primary and middle school teachers and some scientific and technological personnel in line with stipulations. We should provide jobs for urban job-seekers and create conditions in various fields for gradually improving the people's living standards along with the development of the economy.

D. We should vigorously develop scientific, technological, and educational undertakings and depend on scientific and technological progress to invigorate Liaoning's economy.

Modern science and technology as well as modernized scientific management constitute the major pillar in promoting the province's economic development, and education constitutes the important basis for promoting scientific and technological progress and economic invigoration. Only by giving top priority to scientific, technological, and educational undertakings can we gain more momentum for the future economic development and accelerate Liaoning's invigoration.

We should continue to deepen the scientific and technological structural reform, with the emphasis on decontrolling scientific research organs and scientific and

technological personnel. We should rapidly establish a new scientific and technological system which links science and technology with the economy and which is full of vitality, in order to ask for efficiency and better expertise from science and technology. We should comprehensively institute the director responsibility system, the tenure responsibility system, and various systems of contracted responsibility for scientific and technological management. We should accelerate the reform of the scientific and technological allocation system, attend to managerial development, and enhance the strength and vitality of scientific research institutes. We should give full play to the role of central cities as a network to spread science and technology and should vigorously open up more scientific and technological markets in order to transfer scientific and technological achievements to productive forces as quickly as possible. We should formulate preferential policies and measures to attract scientific research institutes and institutions of higher learning in order to serve the province's economic development. We should give positive supports to the development of scientific research organs run by the local people. We should encourage universities, colleges, and scientific research units to run scientific and technological production; rapidly perfect the scientific and technological popularization system; develop multilayer and multiform associations engaging in scientific research production; and encourage and support scientific research institutes and stations as well as scientific and technological personnel to enter the major battlefront of economic construction by contracting and leasing enterprises and various kinds of economic entities. We should jointly or individually run a number of enterprises that take the lead in applying science and technology, that develop an export-oriented economy, and that engage in scientific research production. Such enterprises should be encouraged to become prosperous before others. We should continue to select and dispatch scientific and technological personnel to the grassroots units and strive to attain the goal that every county or township is provided with one deputy head in charge of scientific and technological work in 1 to 2 years. Closely centering on the most important task of invigorating the national economy, we should readjust the orientation of scientific research; emphatically carry out joint research for those projects having a bearing on Qingdao's export-oriented economic construction, on the development of the eastern, western and northern areas of Liaoning, and on the weak links of the national economy; and strive to make a breakthrough in research of these projects. We should energetically develop those applicable technologies which consume fewer investments, need less time, and yield better results. We should expand the construction of the "one, two, three" projects and the "spark plan." We should give scientific and technological supports to poverty-stricken areas and study how to exploit ocean resources. In the course of importing advanced foreign technologies and reforming the traditional industries, we should concentrate our energy on studying and developing micro-electrical technology, information technology, bio-engineering, new materials, new energy,

and other new and high technologies. We should also strengthen the building of those enterprises taking the lead in applying advanced science and technology, in order to make early preparations for gaining more momentum for future economic development. In line with the principles of letting a hundred flowers blossom and a hundred schools of thought contend, we should give encouragement to bold explorations, conduct the study of soft and basic sciences in a planned manner, closely integrate the natural and social sciences, and give full play to the guiding role of social scientific study in promoting economic and social development.

Efforts should be made to firmly foster the idea of regarding education as a basis in the project of vital and lasting importance and to truly put the educational undertaking in first place. We should deepen educational reforms and further enlarge the right of self-determination for various schools at all levels. Efforts should be made to vigorously grasp the pilot work of conducting comprehensive reforms among the general higher educational institutions; to readjust or consolidate adult education, including local universities, secondary specialized schools, technical schools, and vocational senior-middle schools; and to smash the bounds among localities and departments in order to tap the potential of schools and upgrade their operating efficiency. We should also develop associations among production, teaching, and scientific research; vigorously enforce the experimental projects of conducting reforms in rural education in order to straighten out the orientation of operating rural schools; shift the education from that of only paying attention to entering higher schools to that of rendering services to the local economy; and gradually establish a training system for talented personnel which can meet the needs of economic development. On the basis of consolidating and upgrading elementary education, we should actively fulfill the 9-year compulsory education plan step by step and in line with the law. Efforts should be made to improve the basic conditions of operating schools for educational popularization; to realistically upgrade educational quality; to enable elementary and middle-school students to achieve overall development in the fields of morality, intelligence, physical fitness, art education, and laboring work; and to lay a solid foundation for these students in entering higher schools or taking a job. We should actively develop preschool education for children, special education, and the education of minority nationalities so as to upgrade the quality of culture, science, and technology among the people of all nationalities. We should also increase the investment in education and adopt various ways and means to increase educational funds in order to realize the demands set forth by the relevant provisions of the state "compulsory education law." Efforts should be made to encourage various social circles to open schools. Governments at all levels should actively support the various kinds of schools at all levels in order that they may successfully carry out their work-study program and increase their income-generating programs. We should implement the educational principles in an overall way,

enhance ideological and political work, teach students with cultural knowledge and train them how to conduct themselves, and closely integrate education with practice to provide qualified personnel for building the modernization.

Efforts should be made to create a fine social climate in which knowledge and talented personnel are respected and the people are urged to make progress. We should introduce the competition to the personnel affairs system, bring about a change in all aspects of the personnel affairs departments, carry out socialized services in conducting reasonable transfer of personnel, and bring into play the tremendous enthusiasm and creative spirit of talented personnel in devoting to building the modernization, thus enabling the outstanding talented personnel to show themselves.

Along with the steady deepening of reforms and open policy, it is imperative that the people put forward their higher demand for enriching their spiritual life. Literature and art, journalism, and publication departments should meet the need of development in this new situation and uphold the principle of putting social benefits in first place so as to provide the masses with more rich and colorful nourishment for the mind. Efforts should be made to start building the province-run libraries and to complete the construction within the given time. A good job should be done in further conducting reforms in public health systems, upholding the principle of operating hospitals by adopting multiple measures, enhancing the work of preventive measures and health care, and upgrading the standards of medical care and public health. We should help the rural areas deal with the shortage of public health personnel by enrolling medical students from rural areas and dispatching them to their hometowns after they graduate and by training public health personnel for rural areas. A good job should be done in continuously and firmly grasping family planning work and stressing the principle of having late marriage and births, giving birth less and having fine births, and having one couple have one child in life. In taking special care for rural households which have actually encountered difficulties in birth control, we should also strictly deal with the matter in order to strictly control population growth. Efforts should be made to mobilize various forces to make good preparations for the second national youth sports games, to accelerate the pace of building the province's sports center, and to have the sports undertaking achieve faster development throughout the province.

E. We should accelerate the pace of opening Liaodong peninsula to the outside world and vigorously develop the export-oriented economy.

We must put the policy of opening to the outside world in a very prominent position because it is the important strategic measure in making the province prosperous. Efforts should be made to earnestly implement the spirit of the decision made by the provincial party committee

with regard to accelerating the construction of the export-oriented economy on Liaodong peninsula, to bravely join in the competition of international markets and in the large international economic cycle, and to accelerate the construction of the export-oriented economy with Liaodong peninsula as an emphasis. We should also gradually build Liaodong peninsula into a base for earning foreign exchanges by exports, doing substitute jobs for imports, training talented personnel in charge of the export-oriented economy, providing information for both import and export, and introducing outside advanced technologies and business and management experience to the domestic areas.

We should change the situation of the over concentration of power. While successfully implementing all existing state preferential policies in a creative and flexible way, we should delegate to the lower levels the power to examine and approve overseas trips of personnel; to register, discuss, and sign contracts on Chinese-foreign joint ventures; to independently use and regulate enterprises' foreign exchange; and to regulate the economy of cities so that the Liaodong peninsula can become an area of our province that takes the lead in the comprehensive experimentation on reform and opening up.

Earning more foreign exchange through expanded exports should be the precursor of our endeavor to accelerate opening to the outside world. We should strive to earn \$1.8 billion in foreign exchange through exports this year. We should readjust the production setup and improve the export commodity mix in line with the requirements of the export-oriented economy and should gradually change the situation in our province of having advantages in trades that do not constitute an advantage in export. While making efforts to expand the export of light industrial and textile goods, we should export more machinery and electronic products and gradually achieve coordinated and complete designing, production, and supply. We should also export more intensive- and precision-processed goods and products with a fairly high technology content, while expanding the export of traditional products. We should step up efforts to open up and cultivate the sources of export commodities, successfully develop gold resources, strengthen construction of export-oriented plants and bases, and enhance the ability of foreign trade enterprises to compete and cope with changes. We should further study and formulate policies that encourage enterprises to export their products, should consolidate and develop the production structure in which agriculture serves the processing industry and the processing industry serves foreign trade, and should encourage foreign trade enterprises to cooperate with production enterprises in management through investment and share-holding. We should accelerate the reform of the foreign trade structure. Foreign trade enterprises should apply the successful experiences in the industrial reform; extensively institute the system of supervising the performance of enterprises through auditing during and at the expiration of the managers' term; shift their work

from pure purchasing to comprehensive development and business; and focus their work on developing new export products, cultivating export "first" products, and carrying out processing and assembling with materials and specifications provided by foreign firms and compensation trade. Their monopolized business should begin to compete with various enterprises, large and medium-sized enterprises should be pushed to the forefront of foreign trade, the system of acting as agents for other enterprises in the export of their commodities should be actively popularized, multiformed cooperation with industrial enterprises should be carried out, the initiative should be taken in opening up international market and expanding the marketing network instead of doing nothing but waiting for clients to come, the practice of eating from the "same big pot" of the state should become the practice of independent management and holding responsibility for their own profits and losses, and the contracted managerial responsibility system should be enforced on a trial basis. Some light industrial, handicraft, and garment enterprises should be selected to experiment with the system of holding responsibility for their own profits and losses, and the contract responsibility system with the city as the basic unit should be tried out.

In pushing forward the development strategy for Liaodong peninsula's opening up, we should persistently attend to two tasks simultaneously. On the one hand, we should make the best use of the flexible management and abundant manpower resources of township enterprises to channel township enterprises to the large-scale international economic cycle and continuously enhance their ability to earn foreign exchange through export. On the other hand, we should channel the technical transformation of key large and medium-sized enterprises to the large-scale international economic cycle and realize the virtuous circle of foreign exchange earning through export—technology import—technical transformation—foreign exchange reearning through export in order to facilitate Liaoning's economic development.

We should make new progress in foreign capital utilization and technology import. We should continue to expand the scope of direct utilization of foreign capital by adhering to the principle of being both active and prudent and acting according to our capacity and should maintain a rational investment structure. We should provide still more preferential conditions to attract foreign businessmen, Taiwan, Hong Kong, and Macao compatriots and their relatives, Overseas Chinese and their relatives, and all patriotic persons to make investment in our province. We should use foreign loans bravely on the basis of attaching importance to economic results. This year we should strive to use \$600 million in foreign capital. We should use foreign capital in importing advanced technology, equipment, and modern management expertise; in expanding foreign exchange earning through export; and in developing import substitutes as much as possible. We should ensure the applicability and the advanced quality of imported technology and

strive to improve its economic results and comprehensive social benefit. We should carry out cooperative production and joint investment more successfully, greatly develop processing and assembling with materials and specifications provided by foreign firms and compensation trade, and do a good job in importing that supports export. We should continue to develop economic and technological cooperation with foreign countries, expand labor service exports, make a success of the contracted construction of foreign projects, and actively develop tourism to increase the foreign exchange earned from sources other than trade. We should further strengthen propaganda directed toward foreign countries and foreign friendly exchange activities and should adopt various measures to make our province more known to foreign countries.

We should continuously improve the investment climate for opening our province to the outside world. In particular, we should improve the intangible conditions for an investment climate and strive to cultivate a "minor climate" which is suitable for attracting foreign traders to invest. With the purpose of reducing examination and approval formalities and links, all cities and counties in Liaodong peninsula should practice the method of jointly handling affairs for the "three imports" in order to accelerate the work tempo and improve work efficiency. We should step up the management of port cities. By taking full advantages of such media as newspapers, periodicals, and radio and television broadcasting, we should broadcast and transmit information concerning foreign trade and economic relations in a timely manner. We should improve the reception and service expertise and set up professional companies to serve the production and livelihood of foreign traders. We should rapidly improve our environment; set up some additional necessary civil administration and public utilities; and create a beautiful, clean, and comfortable environment. The Dalian economic development zone, the Yingkou Bayuquan area, and the Shenyang Tiexi industrial zone should rapidly draw up preferential policies with a view to attracting more foreign capital and should expand the scale of training competent export-oriented persons through various channels and forms and at various levels in order to improve their expertise and meet the demand of opening to the outside world. We should import intelligence, funds, and technologies from abroad by fully exploiting the role of the departments in charge of foreign affairs, foreign economic relations, Overseas Chinese affairs, united front work, and work directed at Taiwan, as well as the organs stationed abroad and in other provinces of our country. At the same time, we should accelerate the construction of such infrastructural facilities as post, telecommunications, and transportation.

F. We should strengthen and improve the macroeconomic management and invigorate finance and money circulation.

Whether or not we can relieve the tension on fund supply is determined to a great extent by how deep the banking

structural reform is carried out. We should gradually change the method of government departments directly distributing funds and should try every possible means to set up various levels of investment companies. We should cultivate and develop fund markets at various levels, with various forms, and with diverse scale and should enliven the short-term money market and develop the long-term money market in a planned manner. We should fully exploit the role of central cities as banking centers, vigorously develop various kinds of banking organizations, and adopt diverse forms of money-lending to expand credit business. We should pay attention to the issuance and management of various kinds of bonds, positively organize the deposit business, draw idle funds in society through various channels, tap the potential of idle funds, and enliven the money circulation. We should vigorously develop the insurance business in urban and rural areas and experiment with running local insurance companies. By taking full advantage of credit's role as an economic lever, banking departments should support the production of readily marketable products and products for export and earning foreign exchange. Banking departments should also accelerate the turnover of funds in order to raise the utilization rate of funds and improve the efficiency of their use. We should effectively manage foreign exchange and use it flexibly in order to facilitate the work of opening to the outside world.

We should open up more financial resources and reduce various kinds of expenditures. We should adopt diverse forms to mobilize various localities' initiative in increasing revenues and should strive to establish a financial structure focused on management and operation and stressing efficiency. We should strengthen the supervision of auditing work and the management of financial affairs. We should enforce financial and economic discipline, attend to tax collection and management, plug financial loopholes, and collect the exact amount of taxes in a timely manner. At the same time, we must ensure that enterprises have momentum for further development. We should continuously implement the "three-guarantee and three-restriction" policy and exercise strict control over the scale of capital construction. In particular, we should strictly control the scale of extra-budgetary self-raised investment in capital construction projects and the non-productive projects. We should make arrangements on a prior basis for key energy, transport, and raw materials industries which have a bearing on future economic development and for the basic urban facilities and residential construction which directly serve the opening of Liaodong peninsula. In line with the principle of keeping the expenditures within the limits of revenues, we should strictly reduce expenditures. In particular, we should strictly control the size of organizational staff in order to prevent overstaffing. We should continue to strictly control administrative expenses and institutional consumption. Presenting gifts, hosting banquets, and taking pleasure trips to scenic spots at the expense of the state should be strictly banned. The issuance of excessive subsidies and bonuses

should also be banned. We should strengthen the financial system under which different levels hold different responsibilities for fulfilling their financial tasks in order to unify professional rights with property rights. We should invigorate the county-level financial departments, accelerate the pace of self-reliance of those counties which accept financial subsidies, and strive to achieve a basic balance between revenues and expenditures.

We should earnestly pay attention to reducing deficits and increasing profits. This year the deficits of the province should be reduced by more than 20 percent from the previous year, and deficits resulting from poor management should by and large be eliminated. Loss-making enterprises should strive to apply the contract responsibility system to stop or reduce deficits, and successfully implement other supporting reforms within themselves. We should eliminate the barriers between different trades, and between the units subordinate to different administrative departments, greatly encourage transfer of the management power of loss-making enterprises, and give preferential policies to those who manage loss-making enterprises on a contract or leasing basis.

G. We should improve democracy and the legal system, and provide a good social environment for national economic and social development.

Making unswerving efforts to improve the socialist democracy and legal system is an important content of the endeavor to improve the socialist political system, and also a fundamental guarantee for creating a stable and united social environment and for the smooth progress of socialist modernization. Therefore, we should conscientiously do a good job to improve the socialist democracy and legal system, and make socialist democracy be institutionalized and codified in law while paying attention to reform, opening up and economic construction.

Establishment of the consultation and dialogue system is a new measure for improving democratic politics. While developing the socialist planned commodity economy, we should proceed from reality, and adopt realistic and feasible measures to continuously promote democracy in our political, economic, and social activities in a well-guided and orderly manner. We should particularly invigorate the democratic life and improve the democratic management of grassroots units, encourage the masses to utilize their initiative and creativity to the maximum, enable all citizens to truly enjoy the various rights of citizens and the right to manage the state and the enterprises, and create in the entire society a harmonious political situation in which the free airing of views is encouraged. We should conduct consultation and dialogues extensively at regular intervals so that the various quarters of society can understand and support one another.

Governments at various levels should carry forward the fine tradition of "from the masses, to the masses," make public the activities of the leading bodies, and actively open up various channels for frequent dialogues with the masses. We should establish a government spokesman system, and make sure that major situations are made known to the masses, and major problems are discussed with them. We should publicize and explain to the masses our principles and policies; work arrangements; situations in economic construction, reform, and opening up; and the difficulties and problems in our work in a timely manner. We should also conscientiously heed the opinions and voice of the masses; handle well the motions suggestions, criticism and opinions of the people's deputies; solve the problems of the masses revealed in their letters and visits; and maintain close ties with the masses. Government work should be subject to the supervision of the people's congresses and their standing committees according to law. Governments should heed the opinions and suggestions of CPPCC committees and various democratic parties, handle well the motions of CPPCC members, and subject themselves to democratic supervision. Meanwhile, they should attach importance to the supervision by mass organizations, such as trade unions, CYL committees and women's federations, and by social public opinion.

Improvement of the legal system should last throughout the entire reform process. We should lead and deepen reform by relying on laws and regulations, and protect the achievements of reform. We should bring government's administration over political, economic, cultural and social affairs to the orbit of the legal system, and initiate the readjusting and managing of undertakings in various fields according to law. We should further improve local laws and regulations in line with our province's local legislation plans. Meanwhile, we should strengthen the grassroots organs of political power, and give full play to their due role.

In line with the law, efforts should be made to deal strict blows to murderers, rapists, plunderers, and robbers; as well as the economic crimes of embezzlement, bribery, smuggling, and speculation and profiteering. We should resolutely combat the corrosive phenomena and disgusting conducts of gambling, prostitution, kidnapping, and selling women and children, which can poison the social morale; and should earnestly check obscene articles and illegal publications. Efforts should be made to enhance the work of reformatory education to save the convicts and make job arrangements for reformed convicts. A good job should be done to consolidate public security in a comprehensive way, deal with prominent problems concerning social peace, and create a fine social climate for the drive to conduct reforms and opening to the outside world, and build the socialist modernization. We should also vigorously enhance the supervision and inspection of law, regulations, and rules enforcement, and conduct administrative coordination and arbitration to earnestly mediate the disputes of contradictions.

Efforts should be made to vigorously grasp the self-improvement of the personnel rank in charge of enforcing the law and vigorously upgrade their quality in politics and professional work. The governmental departments should actively and closely cooperate with the people's courts and procuratorates; integrate the administrative supervision with judicial supervision; and should strive to abide by the law as long as it exists, strictly enforce the law, and deal with those who have violated the law.

Efforts should be made to conduct regular education on legal systems among the people throughout the province and particularly among cadres at all levels to enable every citizen to clearly understand their own right and interest, their own obligations, and the law directly related to their work and livelihood; and enable every citizen to continuously enhance their sense of abiding by the law to gradually foster the fine social morale of studying the law, knowing the law well, abiding by the law, and applying the law.

Efforts should be made to continuously and deeply carry out mass activities of building the spiritual civilization and improve the campaign, and the army-civilian joint campaign of building civilized units to a new standard. We should unswervingly conduct education on the party's basic line and on the "four have's" among the vast number of people and particularly among youths, and also conduct education on safeguarding the state security and interest, paying attention to the country's conditions and strength, and on building up the country industriously by waging arduous struggle. Efforts should be made to stress or foster the spirit of patriotism and collectivism, strictly abide by the social public morality, bring one's conduct under control in line with professional ethics, stress or foster the new social morale of being glorious in practicing economy and being shameful in indulging in waste, and combat the malpractices of going in for formality and extravagance and of holding extravagant funeral rites and wedding parties. We should also stress or foster the high sense of responsibility in being the masters of the country, abiding by the law, being civilized and polite people, and in consciously safeguarding the public property and maintaining social order. We should also stress being respectful of the old and virtuous and successfully conduct the work for the old folks to enable them to happily spend their later years.

Efforts should be made to enhance the patriotic united front work; earnestly implement the policies of nationalities' affairs, religions, overseas Chinese affairs, and the "law" of regional national autonomy; further improve the system of regional national autonomy; and do a good job in conducting the work of nationalities' affairs to enhance the great unity among various nationalities and to bring into due play the role of various democratic parties and patriotic personages in building the socialist modernization. We should continuously and deeply conduct propaganda and educational work concerning the policy and principles toward Taiwan and

further do a good job in holding receptions for the home visits of Taiwan compatriots to promote the programs of "three exchanges" and the reunification of the motherland.

III. Enhance the Building of Government Organs

Along with the steady deepening of reforms in economic and political systems, it is natural for the people to incur a profound change in their concept and economic and social lives and also for the government organs to put forward higher demands for self improvement. In meeting the need of the trend cropping up while replacing the old system with the new, we should master the method of dealing with the new situation and new problems steadily cropping up in the drive to conduct reforms and opening to the outside world, and concentrate our efforts on developing productive forces and continuously upgrading the capability of organizing the commodity economy in a planned manner. After separating the party function from the government work, the government organs should be ready to assume the heavy burden of increased workload, continuously enhance their concept of wholeheartedly serving the people, and should vigorously enhance the building of democracy and legal systems.

Our governments at all levels should actively conduct political structural reform in line with the guidelines of the 13th Party Congress; change government functions; improve government work; gradually establish a leadership system in favor of raising efficiency, strengthening vitality, and mobilizing the enthusiasm of all quarters; and strive to build the government organs into organs that work honestly, realistically, efficiently and creatively and win the full trust of the people.

To strength the building of government organs, the most important tasks lying ahead of us are to organize all cadres of government organs to deeply study the documents of the 13th Party Congress, unite their thinking with the guidelines of the 13th Party Congress, and unceasingly raise their Marxist theoretical level and the awareness of implementing the basic line of the initial stage of socialism. Through study, we should conduct an ideological education on reform and opening up among the broad masses of cadres, further eliminate the influence of "leftist" ossified thinking and outdated traditional concepts that obstruct the development of productive forces, strive to change all ways of thinking unfavorable for the development of the commodity economy, further emancipate thinking, and enhance the spirit. We should continue to strengthen our sense of urgency and mission to invigorate Liaoning's economy, catch up with economically developed commodity areas, strive to make greater contributions to the country, create a good atmosphere in which all people think of reform and opening, and offer ways and means for reform and opening up. Leading bodies of governments at all levels should take the lead in renewing concepts, strengthening the ideology of reform and opening up and

thoroughly eliminate the shackles of the leftist thinking and old concepts. Whether a work is conducive to developing productive forces or not should be taken as the point of departure for considering all problems and as the fundamental criterion for testing all work. Government leaders should be bold in proceeding from reality and good at combining the party's line, principles, and policies with the actual situations of their own localities and units, and should work creatively. We should have courage to adopt flexible policies provided that they conform with the basic line of the initial stage of socialism defined by the party Central Committee and the reality of our own localities and units, and are favorable for forming new systems and developing the productive forces to blaze new trails and pioneer the road of advance. Through studying the guidelines of the 13th Party Congress, we should also make the leaders deeply understand that political structural reform is an important task during the initial stage of socialism, the essential conditions for developing productive forces, and the pressing needs of creating a long period of order and stability in our country; and make them consciously act in line with the general objectives and needs of the political structural reform to build the government organs in a down-to-earth manner.

We should consciously change the government functions in economic management. Since the founding of our country, we have implemented a set of highly concentrated economic systems which stress administrative management and exclude enterprises' decision-making power, made enterprises become the subsidiary organs of the governments at all levels with no vitality and vigor, and the governments busy daily with the microeconomic production and business operations which should be undertaken by enterprises and with numerous and jumbled things, thus weakening their functions in macroeconomic management. Solving these problems has become the pressing task to invigorate enterprises and the economy. We should further readjust all enterprises and institutions directly under the various government departments, and implement the system of separating the functions of governments from enterprise administration. We should gradually reduce the comprehensive management and social functions of specialized administrative departments, in line with the principle of delegating management powers to relevant departments and localities, and concentrate the main energy on strengthening enterprise management. We should weaken the specialized management functions of departments in charge of comprehensive management, gradually shift their management functions in all trades to the responsible business departments, free the specialized departments from the responsibility of giving specialized management and distributing money and articles by accelerating the building and development of the markets for the essential production elements, and realistically strengthen macroeconomic control and comprehensive balance.

In line with this reform thinking, we should first start the work with the government departments at all levels;

successfully separate government functions; accelerate the change of government functions; intensify, weaken, shift and decentralize powers that should be; and enable the governments to shift their functions from direct management to indirect management; from mainly relying on administrative means to mainly relying on economic and legal means with some necessary administrative means as the supplement; from highly concentrated management, unified revenues and expenditures to allowing each level to share policymaking, set restrictions on themselves, and share responsibilities and management; and from grasping microeconomic production operation to macroeconomic control. In short, we should shift the planned economic pattern which mainly stresses the mandatory plan to the planned commodity economic pattern which allows the governments to regulate the market and the market to guide enterprises, gradually improve an economic regulatory system which stresses indirect management, and open up a new road of having the governments to manage the economy.

We should further decentralize powers to the lower levels. Overconcentration of power is an important cause for the lack of economic vitality, low efficiency, bureaucracy, and unhealthy trends. In line with the general principle of letting the lower levels manage, decide on, and carry out all things good for them; we should further expand powers of central cities, enterprises, and establishments; continue to delegate powers to enterprises; gradually achieve the goal that the governments will not directly manage enterprises; gradually narrow the scope of powers of the governments in distributing money and articles and in receiving and allocating funds; and expand the differential sharing of revenue responsibility to the lower levels. After summing up experience, we should popularize certain powers enjoyed by Shenyang and Dalian cities, which make their economic plans independently in Liaodong peninsula, and some other cities; further investigate the situation in simplifying administration and decentralizing powers in the last few years; prevent intermediate links from holding up powers; and enable central cities and enterprises to realistically exercise due decision-making powers.

We should reform government work organs and the cadre and personnel system. Overstaffed organizations, numerous intermediate links, vague delimitation of functions and endless wrangling are the prominent manifestations of malpractices in the political system formed over the past few years. We should make up our mind to reform the government work organs. While continuously sorting out, consolidating, and strictly controlling organizational set-up in line with the demands of the party Central Committee and the State Council, we should realistically strengthen investigations and study and successfully prepare for all institutional reform work. On the basis of changing functions, we should gradually reduce the number of specialized organs in specialized management departments and departments in charge of comprehensive work, and strengthen the establishment of departments in charge of giving consulting service in

policymaking, and in economic regulatory and supervisory work. Readjusting the cadre structure is an important task of institutional reform and the reform of the cadre and personnel system. Governments at all levels should do a good job in readjusting the cadre structure in line with the relevant document guidelines of the party Central Committee and the State Council. At the same time, we should strictly control organizational and personnel set-up by means of laws and the financial budget, and create conditions for the next step of institutional reform. During the process of institutional reform, cadres of all provincial-level departments and units should stick to their own work posts, do their own work well, and guarantee the normal operation of the work of organs. We should successfully prepare to implement public service regulations, eliminate the wornout concepts of giving priority to seniority to dampen the pioneering and creative spirit of the people, strengthen performance appraisal, strengthen democratic and public supervision, strive to create conditions to implement public service regulations, and ensure the smooth implementation of these regulations after their promulgation. We should strengthen the building of cadre contingents and improve workstyle. Governments at all levels should strive to make cadres meet the four requirements while conducting political structural reform and readjusting the cadre structure; boldly use cadres who have both ability and political integrity, who perform their official duty justly, work honestly, adhere to the four cardinal principles, make outstanding contributions to reform, opening up and the socialist modernization construction; and win popular trust. We should boldly entrust some outstanding young cadres with heavy burdens, and enthusiastically help those cadres who make mistakes while boldly conducting experiments and blazing new trails to conscientiously sum up experience and lessons and enable them to unceasingly improve ability in the course of practice.

We should pay attention to installing the echelon of leading bodies at all levels, and do a good job in conducting cooperation among old and new cadres and in replacing old cadres with new cadres. In line with the different needs required by different posts, we should do a good job in conducting on-the-job training and study, and make the cadre contingents more educated and professionally competent. To improve government work, the most important is to make cadres at all levels foster an ideology and concept compatible with reform, opening up, and the socialist commodity economy; reform the work systems; improve work methods; use new ideology and new methods to study new situations and to solve new problems that emerge in the course of reform and opening up; renounce empty talks in favor of practical work; raise administrative efficiency; and strive to serve the grassroots levels. We should promote the spirit of giving consideration to the overall situation,

intensify the sense of discipline, and adhere to centralized and unified leadership. All levels should share the responsibility of grasping all issues decided by the governments. No unit should be allowed to act on its own, to dispute over trifles, and to delay its work for a long time. Leading comrades of government organs at all levels should set examples, take the lead in improving workstyle, free themselves from numerous documents and meetings, go deeply to the reality to conduct investigations and study, follow the mass line, and jointly discuss the major plans for reform and opening up. We should fully display the role of all consulting and study organs and strive to make policy decisions scientifically and democratically.

We should open-mindedly learn from veteran comrades, pay attention to displaying the role of veteran comrades who have retreated to the second and third line, hear their opinions regularly, care for their livelihood and work, render good service to them, and enable them to have work to do, things to learn, people to support them and to enjoy themselves during their remaining years.

Wholeheartedly serving the people is the ultimate purpose of the people's government and building socialism with Chinese characteristics is a cause that needs the long-term efforts of several generations. We should promote the public service spirit of wholeheartedly serving the people among the broad masses of cadres, and promote the pioneering spirit of daring to conduct experiments and blaze new trails, the fighting spirit of self-reliance and pioneering our undertakings through hard work, and the indomitable, enterprising and fact-seeking spirits. To encourage the broad masses of cadres to serve as good public servants of the people, the provincial government organs should continue to conduct "public servant cup" competitions, and conscientiously conduct investigations and appraisals in an effort to improve ideology and workstyle of organs and to stimulate all fields of work.

We should strengthen administrative and supervisory work, manage administrative work strictly and in line with the law, persist in regularly conducting ideological education, consciously resist the corrosive influence of decadent capitalist ideology, eliminate the influence of feudal ideology and outdated habits, and oppose the unhealthy trend of abusing one power to seek personal gain and bureaucracy of all descriptions. The bad people who disrupt the people's cause must be strictly punished. By no means should they be tolerated and abetted. Meanwhile, we should further establish and improve administrative laws and regulations, establish democratic politics, closely integrate political structural reform with organizational building, and eliminate the breeding ground and soil for cultivating bureaucracy and unhealthy trends. We sincerely hope that the people of various nationalities

throughout the province will regularly supervise and help the governments carry out their work and raise the building of government organs to a new level.

Fellow deputies:

The next 5 years is our province's crucial period for reform, opening up and building socialist modernization construction. The tasks lying ahead of us are glorious but arduous. Although we may encounter many setbacks and difficulties in our road of advance, we certainly will win a victory in reform, realize the goal of invigorating Liaoning, and advance all our undertakings along the road of socialism with Chinese characteristics as long as we unswervingly implement the party's basic line during the initial stage of socialism, closely rely on the efforts of the people of various nationalities throughout the province, work with one heart and one mind, pool the wisdom of all, pioneer our undertakings painstakingly, and work realistically.

FOREIGN TRADE, INVESTMENT

CCPIT Official on Trade Office Opening in Hong Kong

SK020741 Seoul YONHAP in English
0729 GMT 2 Mar 88

[Text] Hong Kong, March 2 (YONHAP)—A Chinese trade office to open soon in this British colony will play the role of a new window to iron out the difficulties in China's trade with South Korea and Taiwan stemming from a lack of formal relations, the head of a Chinese delegation said in an interview Tuesday.

Liu Shao-shan, former deputy chairman of the Chinese Commission for the Promotion of International Trade (CCPIT), said there are difficulties in China's trade and investments with South Korea as Beijing's official position does not allow direct contacts with Seoul.

In an interview published by the JINGJI RIBAO (ECONOMIC DAILY) here Tuesday, Liu said the trade office, a representative office of the CCPIT, will not only iron out difficulties but also promote trade with South Korea.

Liu is now leading a Chinese delegation here working to open the trade office.

Liu said the trade office will contact South Korean companies and businessmen registered with Hong Kong authorities, regardless of their links to Seoul, for consultations on trade and investments.

In addition, the trade office will handle the entry visas for South Korean businessmen in accordance with the decisions of the CCPIT in Beijing, he said.

Liu predicted that South Korea's indirect trade with China via Hong Kong will be further promoted after the Chinese trade office opens.

He added, however, that China will continue to ban made in Korea markings on the packages of South Korean products bound for China.

Strategy for Phased Changes in Country's Export Structure

40060120 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
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[Article by Chen Jinxian [7115 6855 6343], Zhou Yang [0719 2254], and Liu Kuanhu [0491 1401 5706]: "Strategy for Phased Changes in China's Export Structure"]

[Text]

I. Guiding Ideology and Developmental Phases Selected for China's Export Commodity Strategy

The export commodity strategy we formulate for China should not be too extreme, but neither should it be too conservative or conventional. An advanced, rational export commodity strategy that is achievable with effort should be formulated according to the facts, under the principles of positive, advanced, and rational development, based on such scientific theories as product life cycle, and taking as its standard China's existing industrial base.

Premier Zhao Ziyang, discussing export commodity strategy in his report on the Seventh 5-Year Plan, stated: "We must strive to improve our export commodity structure and gradually make two changes: first, turn the export of chiefly raw materials as primary products into the export of chiefly finished products; second, turn the export of chiefly rough-finished products into the export of chiefly precision-finished products." This is undoubtedly the guiding ideology for China's future export commodity strategy.

There are many factors controlling China's export commodity structure. By and large, these include patterns of international market demand, natural resource conditions, the industrial structure of the national economy, levels of scientific and technical development, economic development strategies and measures (including foreign trade development strategies and measures), and so on. Some of these factors can be improved in the near term, while others will take a long time to improve. Thus, improving China's export commodity structure requires adhering to the principle of positive and steady development. Given China's present situation, for a short time raw materials and rough-finished products will have to continue to account for a certain percentage of exports, but this is only a temporary measure. In the near future we must begin with the existing base of China's export commodities and develop exports of products requiring little investment, yielding fast results, and generating large amounts of foreign exchange, in order to meet the country's urgent need for foreign exchange, bring in technology, improve production technology, and achieve the material conditions necessary to prepare for these "two changes." On this basis, and in accordance with

long-range scientific projections of the international market, we must give full consideration to the long-term development of China's economy and technology, positively develop production and exports of China's existing advantageous finished products, and modernize the export commodity structure.

According to this strategic thinking, our main goal should be to change China's current backward deployment of production. This is not an easy matter, however, but an arduous, long-term task that should be carried out in two phases.

Phase One: Vertical Upgrading of Key Production Factors

The vertical upgrading of key production factors refers to improving the quality of key production factors, i.e., developing them from their present low level to a higher level. This includes two aspects. 1) Improving the quality of the labor force. 2) Changing the grade of the raw materials currently exported. That is, we must develop low-grade, labor-intensive products into high-grade labor-intensive products, and develop low-grade, resource-intensive products into high-grade, resource-intensive products.

Phase Two: Lateral Expansion of Key Production Factors

Lateral expansion of key production factors refers to turning the advantages of low-grade resources and labor into advantages of capital, technology, and know-how. That is, China's export commodities should be shifted away from the present resource- and labor-intensive products towards capital- and technological-know-how-intensive products. This is essential for economic development. The newly industrialized countries are currently dealing with this change.

II. Conception of a Phase One Export Commodity Strategy

In this phase, export products can be divided into three levels:

A. Medium- and low-grade electromechanical products in internationally mature industries, China's traditional electromechanical export products, and high-grade textiles.

Using the product life-cycle theory, and from an analysis of the shift in comparative advantages, we can see that China has advantages in developing and exporting internationally mature products. Because in recent years China has imported much technological equipment for mature industry, and considerable production capacity has now been formed, some of this equipment is now in the second or third stage of the product life cycle, i.e., it is starting to get into international competition, and this added to China's existing industry has provided a good foundation. By continuing to import and assimilate the foreign technology of mature industry and by turning it

as quickly as possible into production capacity, it is entirely possible to make these medium- and low-grade electromechanical products the mainstay of China's exports for some time to come.

The electromechanical exports of China, located as it is in Asia, now have a good opportunity to compete. This is because of the following: 1) China has low labor costs, with a nominal per capita income of \$300-plus; if China's low-cost public welfare, services, and consumer goods are converted, per capita income is actually around \$500. Compared with countries where per capita income is \$2,000, China's average labor costs are one-fourth theirs. 2) Compared with countries where per capita income is roughly the same as ours, our industrial base is quite solid. In the 30-odd years when our country was closed to the outside, our hermetic economic policy created a high degree of protection for China's machinery and electronics industries; a high economic price was paid for this protection in order to achieve such a substantial and relatively complete industrial system. Statistical data show that in comparison with other countries having similar per capita income the equipment level, technological level, and know-how of China's machinery and electronics industries are in the lead. For example, as of 1984 the original value of the fixed assets of China's machinery and electronics industries accounted for 24 percent of that of all industry, and in scale they have even surpassed countries where per capita income is \$3,000 or \$4,000. Thus, China, with its lower labor costs, is able to produce the products produced by countries where per capita income is \$2,000 and capture their markets through competition.

However, the industrial base and technological strengths of China's electromechanical industry still fall short of the requirements for international high-grade products. For example, for the time being Chinese-made compact disks and small cars are incapable of holding their own on the international market. However, the world market requires not only high-grade electromechanical equipment but also medium- and low-grade equipment such as medium- and low-grade audio and video equipment, computer parts and accessories, electronic games, and household appliances. People demand that these goods be inexpensive, and such products are quite highly labor-intensive in a technically stable production cycle, and we have a strong potential advantage in this area.

Many electromechanical products that have long been produced in China, such as power-station equipment, machine tools, tractors, bicycles, motorcycles, watches, clocks, sewing machines, cameras, electric fans, black-and-white and color televisions, various types of radios and recorders, and other household appliances, as well as medical machinery, textile machinery, and many other products, can become major export commodities; naturally, product quality, price, and after-sales service must be competitive on the international market, and demand on that market should determine which products become the mainstay products.

The textile industry was one of China's earliest; it has a long history and good production capacity, and textiles have always been a staple among China's exports. However, for many years we have exported mainly basic and low-grade textiles, with very few exports of high-grade textiles. We must now focus our support on producing high-grade cloth and clothing. In the last few years Chinese production of high-grade clothing has been firmly established, and we should now keep in step with international fashion trends, striving to produce high-quality, high-grade clothing, particularly fashion exports. In addition to cotton and cotton-polyester goods, we must further develop exports of high-grade silk and linen exports.

B. Utilizing China's advantages in labor and natural resources, development of exports of foods and beverages, medical and health-care products, handicrafts, and various other light-industry and textile products, processing of agricultural and sideline products, multiple processing of mining products, etc.

China has long enjoyed a reputation in food and health care; her unique and world-famous talents in cuisine and health foods and beverages have always been sought after by our foreign friends. The world food industry is now growing rapidly, at an annual average rate of 17 to 18 percent in recent years. A definite foundation exists for China's food and beverage industry, and these exports have been in the forefront for years. Developing China's food industry and integrating it with the unique technology of her world-famous cuisine and medicine would match Western concerns about chemicals in foods and the demand for weight reduction and health benefits. We should focus on developing health foods, medicinal foods, and beverages. This means improving research and development and concentrating our strength and emphasis on breakthroughs. The "Jianlibao" drunk by China's athletes is a beverage with a bright future. Chinese medicine and pharmaceuticals enjoy an international reputation. According to the pertinent data, chronic diseases are becoming more and more severe in other countries, and for the time being Western medicine and pharmaceuticals seem unable to cope with this; Chinese medicine and pharmaceuticals are particularly effective in curing chronic disease, and they have become a staple Chinese export. There is keen interest now in other countries in Chinese medicine and pharmaceuticals. We should therefore seize this favorable opportunity and vigorously develop Chinese medicine and pharmaceuticals; it is particularly important to develop prepared medicines.

Handicrafts and light-industrial goods are another staple commodity that China can export to generate foreign exchange. According to estimates, in the next 10 years international consumption of these commodities will increase; as these are mostly labor-intensive products, they can take full advantage of China's advantages of an abundant labor force and consummate craftsmanship. Moreover, development of this type of exports can be

coordinated with China's tourism industry. On the basis of improved quality and grade, the design, performance, types and varieties of light-industrial goods should be improved; development should be focused on household and industrial porcelain, recreation and sporting goods, and various small household commodities. Every effort should be made to develop special multifunction, disposable small commodities, such as disposable lighters, cameras, fragrances, as well as toothpaste, bath soap, cosmetics, etc. While increasing exports of China's traditional high-grade handicrafts, we should vigorously develop medium-grade handicrafts with esthetic and practical value that can be afforded by ordinary consumers and are suitable for travel and carrying.

Processed agricultural and sideline products are traditional Chinese exports for generating foreign exchange; they should also be suitably developed in the current phase in order to meet the country's need for foreign exchange. We should now raise processing grade, ensure quality, and improve poor packaging so as to achieve more exports and exchange. For the export of mining products, the level of processing should now be increased to develop exports of mineral ores and semifinished products that have undergone multiple processing. For mineral fuels, exports of refined oils and chemical products should be increased. We should now strive to expand production and exports of chemicals and ancillary products.

C. Exports of traditional agricultural and sideline products, mining products, and low-volume, high-technology products.

China is located in the temperate and subtropical zones and is rich in native agricultural and sideline products and specialties; crop- and stock-raising are relatively well developed, with soybeans, rice, corn, and other cereals and oil crops, tea, dairy goats, and rabbit fur constituting China's traditional mainstay exports. Many Chinese native products and specialties enjoy an international reputation, and we should now focus on developing nutritionally rich, high-grade agricultural and sideline products and aquatic products. We should also continue to improve varieties and increase international competitiveness. Mining products are another export mainstay; in addition to raising their level of processing, we should also export a certain amount of raw minerals. It will apparently not be possible for petroleum to be an export mainstay for a long time to come; we should now shift towards exports of petrochemicals. China has abundant coal reserves with a definite production base and low costs; in recent years several large-scale, superior-grade coal mines have been discovered, while China's neighbors are mostly short of coal. In addition, many countries around the world are switching to coal as their energy source in order to conserve petroleum, so there is definitely a market for this coal. If we now increase investment in coal mining and improve transport conditions, we can expect coal exports to continue to increase.

High technology is not yet able to become the backbone of China's exports, but it should be positively developed in order to further develop China's economy and technology. For example, the new laser industry that is now appearing internationally has a promising future. According to statistics, the growth of the laser industry in the next 10 or 20 years will be comparable to sales of computers between 1945 and 1965. By the mid-1990's, it can be estimated that the output value of the worldwide laser industry will approach \$10 billion. China already has a competent corps of people in laser research and application, and they have achieved important results. For example, laser drilling and heat treatment are well along and have yielded economic benefits. China has also successfully applied lasers in medicine, and some results here have been world firsts. We should now increase development of commonly used laser devices and ancillary equipment and materials and start mass production as soon as possible. China's aerospace and atomic energy industries also have a firm technical foundation and are somewhat competitive internationally, but these high technologies are applied primarily to the military. We should pick up the pace of switching from military to civilian uses and commercialize these industries so that they can soon become part of China's export commodities.

The target we envision for the first phase of export commodities calls for the first level of export commodities to account for about 30 percent of total exports by 1995, with second-level export commodities accounting for about 45 percent of total exports, and third-level export commodities accounting for about 25 percent of total exports. Thus, by that time the proportion of finished products in total exports would be roughly 60 or 65 percent, while primary products would be approximately 35 to 40 percent.

III. Phase One Export Commodity Strategy

Export commodities during this phase would be divided into three levels:

A. Development of exports of high-technology products, medium- and high-grade products in internationally mature industries, and complete sets of equipment.

By the second phase, China will have a definite high-technology production capacity and export competitiveness. At that time, we should focus on developing exports of this type of product; it is possible for high-tech products and information to become staple exports at that time. For example, the laser industry, aerospace, computers, atomic energy, and other high-tech products, and heavy-industrial products such as shipbuilding, steel, automobiles, and other industrial products could all develop into staple Chinese export commodities. According to the theory of product life cycle, at that time in China the above products would be in the first and second phases of their life cycle and would be relatively

advantageous. Moreover, there would also be considerable capacity for importing the products of high-grade, mature industry from abroad, so that it would be necessary to develop exports of high-grade, mature products, such as office machinery, high-grade computer projects, small motor vehicles, complete sets of equipment, etc.

B. Development of exports of medium- and low-grade electromechanical products, high-grade textiles, and the staple commodities developed in the first phase.

In Phase One, these products would have become the mainstays of China's export commodities. Good export figures should be maintained, and exports to generate foreign exchange should be vigorously developed. The many staple products that would necessarily come to the fore in Phase One would be quite competitive in the international market; we should now strive to lower their costs and expand production in order to achieve greater economic benefits.

C. Development of exports of food and beverages, medicinal and health-care products, processed agricultural and sideline products, handicrafts and light-industrial products, and other traditional export commodities and low-volume agricultural and sideline products and mining products.

At this time, with some of China's 800 million peasants beginning to shift over to industrial production, our labor advantage would still be present, and labor-intensive products would still be among China's advantageous export products. Therefore exports of most of the products at this level would continue to increase. But this period would also have its own characteristics: with China's rich experience in exporting, the products would be characterized by greater variety and more new products, and enterprises would be more adaptable, so that there would be a succession of advantageous products and exchange-generating capacity would be greater than in Phase One.

The structure of export commodities in Phase Two would be controlled by such varied Phase One factors as how well that phase was carried out, the domestic and international economies, and international market demand; therefore the actual direction of product development should be determined at the end of Phase One. Here we can only propose an overall direction.

The commodity strategy for the second phase, as we conceive it, would have the following targets: by the year 2000 or slightly later (say, 2005), first-level products should account for 20 percent of total exports, second-level products should account for 35 percent, and third-level products should account for 45 percent. Thus, finished products would account for 70 to 75 percent of total exports, while primary products would account for 25 to 30 percent, with precision-finished products accounting for more than 50 percent of this.

Beijing Exports More Technology
OW281307 Beijing XINHUA in English
0732 GMT 27 Feb 88

[Text] Beijing, February 27 (XINHUA)—China's capital signed 24 export contracts worth 2.835 million U.S. dollars between May, 1986 and the end of last year.

According to today's "BEIJING DAILY," this figure represents a value 6.5 times more than for same type of contracts signed between 1981 and 1985.

The boom is a result of city government efforts to coordinate Beijing's foreign trade companies and the city's science and technological research institutes, the paper said.

The municipal government met to discuss technology exports in April of 1986, the report said, and at this session a series of regulations designed to expand exports was also worked out.

The paper also said, the city has made more than 20 techniques available for export, with these items having an economic potential of 20 million U.S. dollars.

AGRICULTURE

Hunan Fish Output
40060155c Changsha HUNAN RIBAO in Chinese
24 Jan 88 p 1

[Excerpt] The gross output of freshwater fish in Hunan Province has increased from 7 million kilograms in 1978 to 300 million kilograms today, and output per mu has increased from 34.5 kilograms to 120 kilograms. In 1987, Hunan shipped 50 million kilograms of fresh fish to other areas in China. At present, more than 1,300,000 people are engaged in fish production in Hunan.